



寶沙發展

**China Bozza Development Holdings Limited**

**中國寶沙發展控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*(Stock Code: 01069)*

ANNUAL  
REPORT  
**2021**

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# Corporate Information

## DIRECTORS

### Executive Directors

Professor Fei Phillip (*Chairman*)  
Mr. Li Wenjun (*Chief Executive Officer*)  
Mr. Wang Yue  
Ms. Hui Hing Conniel (appointed on 13 September 2021)  
Mr. Lai Chi Yin Samuel (appointed on 13 September 2021)  
Ms. Feng Jiamin (resigned on 2 November 2020)  
Ms. Lu Wei (resigned on 2 November 2020)  
Mr. Wong Hiu Tung (resigned on 15 May 2020)  
Mr. Ng Kwok Hung Perry (appointed on 30 November 2020 and resigned on 31 January 2022)  
Mr. Pang Kin Lung (appointed on 30 November 2020 and resigned on 31 January 2022)

### Non-executive Directors

Mr. Gu Sotong (appointed on 15 December 2020)  
Ms. Wong Lee Ni (appointed on 8 March 2021 and resigned on 1 June 2022)

### Independent non-executive Directors

Mr. Liu Zhaoxiang  
Ms. Wong Hoi Ying (appointed on 30 June 2022)  
Mr. Wang Yibin (appointed on 30 June 2022)  
Mr. Guo Zhonglong (appointed on 30 June 2022)  
Ms. Tian Guangmei (resigned on 1 June 2022)  
Mr. Liang Guoxin (resigned on 15 June 2020)  
Dr. Tse Kwok Sang (appointed on 8 December 2020 and resigned on 31 January 2022)  
Mr. Huang Wenhong (appointed on 23 June 2021 and resigned on 30 June 2022)

## COMPANY SECRETARY

Mr. Chan Ngai Fan (appointed on 5 May 2022)  
Mr. Leung Man Kit (resigned on 27 July 2020)  
Mr. Yuen Kwok Kuen (appointed on 27 July 2020 and terminated on 10 December 2020)  
Mr. Lau Wai Piu Patrick (appointed on 10 December 2020 and resigned on 31 January 2022)

## AUTHORISED REPRESENTATIVES

Professor Fei Phillip  
Mr. Chan Ngai Fan (appointed on 5 May 2022)  
Mr. Leung Man Kit (resigned on 27 July 2020)  
Mr. Yuen Kwok Kuen (appointed on 27 July 2020 and terminated on 10 December 2020)  
Mr. Lau Wai Piu Patrick (appointed on 10 December 2020 and resigned on 31 January 2022)

## INDEPENDENT AUDITORS

CCTH CPA Limited  
*Certified Public Accountants*

## REGISTERED OFFICE

PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 12, 12/F., Tower A  
New Mandarin Plaza  
No. 14 Science Museum Road  
Tsim Sha Tsui, Kowloon  
Hong Kong

## HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Room 1901, 19F  
Dachong International Centre  
Tonggu Road, Nanshan District  
Shenzhen City  
Guangdong Province  
China

## Corporate Information (continued)

### **CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE**

Ocorian Trust (Cayman) Limited  
PO Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

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

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### **PRINCIPAL BANKER**

China Construction Bank (Asia) Corporation Limited  
11/F, Devon House  
979 King's Road  
Quarry Bay, Hong Kong

### **COMPANY WEBSITE**

<http://www.caflc.co/>

### **STOCK CODE**

01069

# Financial Highlights

## ANNUAL PERFORMANCE FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2021

- Revenue for the eighteen months ended 30 June 2021 amounted to approximately Renminbi (“**RMB**”) 25.6 million (year ended 31 December 2019: RMB54.3 million), representing a decrease of approximately 52.7% as compared with corresponding period in 2019.
- Loss attributable to owners of the Company for the eighteen months ended 30 June 2021 amounted to approximately RMB553.6 million (year ended 31 December 2019: RMB340.5 million).
- Total comprehensive expense attributable to owners of the Company for the eighteen months ended 30 June 2021 amounted to approximately RMB529.6 million (year ended 31 December 2019: RMB348.4 million).
- The gearing ratio as at 30 June 2021 was approximately 419.1% (31 December 2019: 57.1%), representing an increase of 634% as compared with corresponding period in 2019.
- Basic loss per share from continuing and discontinued operations for the eighteen months ended 30 June 2021 amounted to RMB5.02 cents (year ended 31 December 2019: RMB3.09 cents).
- The board (the “**Board**”) of directors of the Company (the “**Directors**”) does not recommend the payment of any dividend for the eighteen months ended 30 June 2021 (year ended 31 December 2019: nil).

# Management Discussion and Analysis

## BUSINESS REVIEW AND EVENTS AFTER REPORTING PERIOD

### Suspension of trading of shares of the Company and appointment of Joint Provisional Liquidators (for restructuring purposes only) (the “JPLs”)

As additional time was required by the auditors of the Company (the “**Auditors**”) to finalize their audit procedures in respect of the 2021 Annual Results, the Company was unable to announce its audited 2021 Annual Results by the deadline prescribed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The trading of the Company’s shares on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) was suspended with effect from 4 October 2021 (the “**Suspension**”).

On 15 May 2020, the Company received a petition (the “**Petition**”) filed by a holder of the bonds issued by the Company (the “**Petitioner**”) against the Company in the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) for an order that the Company be wound up by the High Court. The Petition was filed against the Company for failure to settle the outstanding principal of the bonds and the accrued interest in the amount of HK\$10,158,794.52. To facilitate the debt restructuring of the Company, Professor Fei Phillip, the chairman of the Board, has filed a winding up petition against the Company at the Grand Court of the Cayman Islands (the “**Cayman Court**”) and the Company has also made an application to the Cayman Court for an application for the appointment of the JPLs, with the hearing held at the Cayman Court on 3 December 2020 (Cayman Islands time).

At the hearing, an order (the “**Order**”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Martin Trott of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes. The Order provides that for so long as the JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose.

The Board continues to manage the day-to-day affairs of the Company in all aspects, subject to the oversight and monitoring of the JPLs.

As at the date of this annual report, the Petition against the Company was dismissed after an order was made by the High Court on 4 October 2021 upon the joint application of the Petitioner and the Company to withdraw the Petition by way of consent summons. Despite the withdrawal and dismissal of the Petition in Hong Kong, the winding up petition filed by Professor Fei Phillip against the Company in the Cayman Islands as well as the appointment of the JPLs remained in place. For details, please refer to the Company’s announcement dated 29 October 2021.

# Management Discussion and Analysis (continued)

## Listing status of the Company

By way of letters dated 29 December 2021 and 22 June 2022, the Stock Exchange imposed the following resumption guidance (the “**Resumption Guidance**”) for the Company:

1. publish all outstanding financial results required under the Listing Rules and address any audit modifications;
2. demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules;
3. have the winding up petition filed against the Company in the Cayman Islands withdrawn or dismissed and the JPLs discharged;
4. inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position; and
5. re-comply with Rules 3.10, 3.10A and 3.21 of the Listing Rules.

As disclosed in the announcement of the Company dated 30 June 2022, following the appointment of three independent non-executive Directors (i.e. Ms. Wong Hoi Ying, Mr. Wang Yibin and Mr. Guo Zhonglong), the Company meets the requirements under Rules 3.10, 3.10A and 3.21 of the Listing Rules.

Under Rule 6.01A of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 3 April 2023. If the Company fails to remedy the issues causing its trading suspension, fulfil the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by 3 April 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company’s listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, when appropriate.

## Funding Agreement

On 23 August 2022, the Company as the borrower, Zhonggangtong International Holding Group Co., Limited (the “**Investor**”) (a company incorporated in Hong Kong with limited liability and is beneficially wholly-owned by Ms. Huang Hou (“**Ms. Huang**”), an independent third party) as the lender, and the JPLs, acting in their capacity as the joint provisional liquidators of the Company, entered into a funding agreement (the “**Funding Agreement**”), pursuant to which the Investor has agreed to grant a credit facility of up to HK\$26 million (the “**Loan**”) to the Company, subject to the terms and conditions thereunder. The Funding Agreement was entered for the sole purpose of securing the Loan to facilitate the preparation and implementation of the proposed restructuring plan of the Group, and to support the business operation of the Group to ensure the Company would continue to be in satisfaction of the listing requirements. For details, please refer to the announcements of the Company dated 26 August 2022 and 1 September 2022.

As at the date of this annual report, out of the HK\$26 million credit facility under the Funding Agreement, approximately HK\$15.0 million has been drawn down by the Company.

# Management Discussion and Analysis *(continued)*

## Proposed Restructuring of the Group

On 30 December 2022, the Company and the JPLs entered into a restructuring framework agreement (the **"Restructuring Framework Agreement"**) with the Investor, pursuant to which the Company will implement a proposed restructuring of the debts and liabilities, capital structure and share capital of the Company (the **"Proposed Restructuring"**) including (i) the Capital Reorganisation (as defined below) and the Change in Board Lot Size (as defined below); (ii) the Subscription (as defined below); (iii) the Creditors' Scheme (as defined below) involving (a) the Creditors' Scheme Cash Consideration (as defined below); (b) the Scheme Shares Issue (as defined below); and (c) the Promissory Notes Issue (as defined below); (iv) the whitewash waiver to be obtained from the Securities and Futures Commission of Hong Kong (**"SFC"**) pursuant to the Hong Kong Code on Takeovers and Mergers issued by the SFC (**"Takeovers Code"**) in respect of the allotment and issue of the subscription shares to the Investor; and (v) the special deals under Rule 25 of the Takeovers Code in respect of the proposed settlement of indebtedness to certain directors and shareholders of the Company under the Creditors' Scheme.

Details of the Restructuring Framework Agreement has been announced in the announcement published by the Company dated 30 December 2022.

### *Capital Reorganisation and the Change in Board Lot Size*

The Company proposes to implement the capital reorganisation (the **"Capital Reorganisation"**) subject to the approval by the shareholders of the existing ordinary share(s) of HK\$0.002 each in the share capital of the Company prior to the Capital Reorganisation (the **"Shareholders"**).

The Capital Reorganisation will comprise (i) the share consolidation involving the consolidation of every 100 existing issued shares of HK\$0.002 each in the share capital of the Company prior to the Capital Reorganisation (**"Share(s)"**) into one consolidated share of HK\$0.20 each (**"Consolidated Share(s)"**) (the **"Share Consolidation"**); (ii) the capital reduction upon the Share Consolidation becoming effective (the **"Capital Reduction"**), such that the par value of each issued Consolidated Share will be reduced from HK\$0.20 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.19 on each issued Consolidated Share; (iii) the authorised share capital diminution involving all the existing but unissued shares being cancelled in its entirety (which shall include the authorised but unissued share capital arising from the Capital Reduction (the **"Authorised Share Capital Diminution"**)); (iv) the authorised share capital increase upon the Capital Reduction and the Authorised Share Capital Diminution becoming effective, such that the Company's authorised share capital will be increased from HK\$1,102,422 divided into 110,242,204 shares of HK\$0.1 each to HK\$100,000,000 divided into 10,000,000,000 ordinary share(s) of HK\$0.01 each in the share capital of the Company (**"New Share(s)"**) by creation of 9,889,757,796 New Shares; and (v) the share premium cancellation involving the entire amount standing to the credit of the share premium account of the Company as at the effective date of the Capital Reorganisation being cancelled and credited to the contribution surplus reserve account of the Company and be applied to set off against the accumulated losses of the Company as at the effective date of the Capital Reorganisation.

The Company also proposes the board lot size for trading on the Stock Exchange be changed from 40,000 Shares to 16,000 New Shares subject to the Capital Reorganisation becoming effective (the **"Change in Board Lot Size"**). For illustration purpose, based on the closing price of HK\$0.010 per Share (equivalent to the theoretical closing price of HK\$1.00 per New Share) as quoted on the Stock Exchange on 30 September 2021, being the last trading day prior to the suspension of trading of the Shares on the Stock Exchange, the value of each board lot of 16,000 New Shares, assuming the Capital Reorganisation had already been effective, would be HK\$16,000. The proposed change in board lot size will not result in any change in the relative rights of the Shareholders.

## Management Discussion and Analysis (continued)

### *Subscription*

On 30 December 2022, the Company, the JPLs and the Investor entered into a subscription agreement (the “**Subscription Agreement**”) pursuant to which the Investor shall subscribe for, and the Company shall allot and issue 466,000,000 New Shares (the “**Subscription Shares**”) at the issue price of HK\$0.1288 per New Share (the “**Subscription**”). After adjusted for the effects of the Capital Reorganisation, the Subscription Shares represent (i) approximately 80.87% of the enlarged issued share capital of the Company immediately after the completion the Subscription; and (ii) approximately 65.06% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Scheme Shares (as defined below).

### *Creditors’ Scheme*

Pursuant to the Restructuring Framework Agreement, the Company proposes to restructure its debts through a scheme of arrangement (the “**Creditors’ Scheme**”) which involves (a) the Creditors’ Scheme Cash Consideration (as defined below); (b) the Scheme Shares Issue (as defined below); and (c) the Promissory Notes Issue (as defined below). Upon the Creditors’ Scheme having become effective, all the claims of all the creditors of the Company with Admitted Claims (as defined below) against the Company as at the date on which Creditors’ Scheme become effective (the “**Creditors**”), and liabilities of the Company will be compromised, discharged, waived and/or settled in full and in return, under the Creditors’ Scheme, the Creditors with all Scheme Claim(s) (i.e. a claim: (a) which is not a preferential claim (and where the claim is only in part a preferential claim, then the person is a Creditor only to the extent of the non-preferential portion of the claim); (b) which is not a secured claim (and where the claim is only in part a secured claim, then the person is a Creditor only to the extent of the unsecured part of the claim); (c) which is not a claim for restructuring costs; and (d) which is not an amount due from the Company to the Investor under the Funding Agreement) against the Company which have been admitted under the Creditors’ Scheme by such persons who are to be appointed as scheme administrators pursuant to the terms of the Creditors’ Scheme, which are expected to be JPLs (the “**Scheme Administrators**”) or the adjudicator (as the case may be) (the “**Admitted Claims**”) would be entitled to receive on a pro-rata basis based on their Admitted Claims, (i) HK\$30 million in total in cash to be financed by the proceeds of the Subscription (the “**Creditors’ Scheme Cash Consideration**”); (ii) 140,000,000 scheme shares in total to be issued at the issue price of HK\$0.55 per scheme share under the Creditors’ Scheme pursuant to the terms thereof (the “**Scheme Shares**”), representing approximately 19.55% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Scheme Shares (assuming there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares and the Scheme Shares and after adjusted for the effect of the Capital Reorganisation) (the “**Scheme Shares Issue**”); and (iii) the promissory notes in the aggregate principal amount of HK\$120 million (the “**the Promissory Notes Issue**”).

Pursuant to the terms of the Restructuring Framework Agreement, it is proposed that the Creditors’ Scheme will be implemented upon approval by the Creditors and sanction by any court in Hong Kong that has jurisdiction to hear the provisional liquidation case the Company is subjected to. Based on the available books and records of the Company, the total estimated indebtedness owed by the Company to its Creditors is approximately HK\$550 million as at the date of this announcement. This indebtedness figure is indicative and will be subject to the notices of claim filed in accordance with the terms of the Creditors’ Scheme, the final determination by the Scheme Administrators and (if applicable) adjudication under the Creditors’ Scheme.

# Management Discussion and Analysis (continued)

## DISCLAIMER OF AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the independent auditor's report on the Group's financial statements for the eighteen-month period ended 30 June 2021:

### DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Bozza Development Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 61 to 168, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eighteen-month period ended 30 June 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR DISCLAIMER OF OPINION

#### (a) Multiple uncertainties relating to going concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred net loss of approximately RMB553,630,000 for the eighteen-month period ended 30 June 2021 and as of 30 June 2021, the Group's (i) total liabilities exceeded its total assets by approximately RMB277,319,000; and (ii) current liabilities exceeded its current assets by approximately RMB296,588,000. As at 30 June 2021, the Group's liabilities include promissory notes payable, corporate bonds payable and interests payable on these payables with the carrying amounts of approximately RMB52,027,000, RMB254,458,000 and RMB12,392,000 respectively, which remain outstanding up to the date of approval of these consolidated financial statements. These promissory notes and corporate bonds payables together with accrued interests payable to the aggregate of approximately RMB261,690,000 have been overdue for settlement by 30 June 2021 or due for settlement within the year after that date and are included in current liabilities in the consolidated statement of financial position.

The aforementioned conditions indicate the existence of material multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures, as detailed in note 2 to the consolidated financial statements, to be undertaken by the Group. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

## Management Discussion and Analysis (continued)

### (b) Scope limitation regarding the plantation forest assets and the right-of-use assets

The Group's plantation forest assets are carried at fair value less cost to sell at 30 June 2021 amounted to approximately RMB30,140,000 with the loss on change in fair value less cost to sell amounted to approximately RMB484,360,000 charged to profit or loss in respect of the eighteen-month ended 30 June 2021. In addition, included in right-of-use assets is leased land on which the Group's plantation forest assets are located with the carrying amount of approximately RMB46,096,000 at 30 June 2021. The fair value of the Group's plantation forest assets at 30 June 2021 was estimated by an external valuer using the income approach, under which the projected future net cash inflows arising from the forest management and harvest, based on forecast of revenue from sales of timber logs and direct costs for the timber logs harvests, are discounted to present value. In view that we are unable to form an opinion as to whether the Group can operate as a going concern in the foreseeable future, as detailed in paragraph (a) above, we are also unable to satisfy ourselves that the income approach adopted for the fair value valuation of the Group's plantation forest assets and the bases and assumptions used for the valuation are reasonable and appropriate, including the ability of the Group to adhere the harvest forecasts, the quantity of timber logs to be harvested, future growth rates and discount rates adopted, and approvals to be obtained from the PRC government for timber logs harvest during the forecast periods. Accordingly, we are unable to assess whether the fair value less cost to sell of the Group's plantation forest assets of approximately RMB30,140,000 at 30 June 2021 is fairly stated and whether impairment loss is required to be made on the Group's leased land included in the right-of-use assets.

Furthermore, as a result of the restrictions implemented by the PRC government to travel within the Mainland China as a result of the outbreak of COVID-19, we are not able to carry out site visits of the Group's plantation forest assets which are all located in Jiange County of the Sichuan Province of the Mainland China, and the external valuers also represented that they have not performed the site visits during the course of the valuation. Accordingly, we are unable to obtain sufficient appropriate audit evidence regarding the existence, quantities and conditions of these plantation forest assets used to arrive at their fair value valuation as at 30 June 2021.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net liabilities of the Group as at 30 June 2021, and the Group's loss and cash flows for the eighteen-month period ended 30 June 2021 and the related disclosures in the consolidated financial statements.

### VIEWES OF THE BOARD AND THE AUDIT COMMITTEE ON THE DISCLAIMER OF OPINION

The Board and the audit committee of the Company (the "Audit Committee") noted that the consolidated financial statements of the Company for the eighteen months ended 30 June 2021 were subject to the disclaimer of opinion (the "Disclaimer") of the Auditors, on the basis as set out in the section headed "Basis for Disclaimer of Opinion" in the independent auditor's report.

## Management Discussion and Analysis (continued)

The Board and the Audit Committee did not express different views from that of the Auditors. The audit committee meeting (the “**AC Meeting**”) was held on 18 January 2023, among others, to consider and approve the audited consolidated financial statements of the Company and the independent auditor’s report for the eighteen months ended 30 June 2021. During the AC Meeting, the Auditors have reported their audit work performed for the Auditors’ report of the Company for the eighteen months ended 30 June 2021. The Company respectfully submits that the Audit Committee has critically reviewed the facts and circumstances leading to the Disclaimer and the conclusion of the Company’s management, and agreed with the Disclaimer and the management’s position concerning the major judgmental areas in relation to the Disclaimer.

Further, the views of the Group towards the issues are as follows:

### (i) **Multiple uncertainties relating to going concern**

The Company’s consolidated financial statements for the eighteen months ended 30 June 2021 have been prepared on a going concern basis. The Auditors were of the view that there are factors that indicated the existence of material uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern. Having considered the financial condition of the Group as at 30 June 2021, including but not limited to the net liabilities and net current liabilities positions and the overdue promissory notes and corporate bonds, the Company’s management concurs with the Auditors’ view in such regard.

### (ii) **Scope limitation regarding the plantation forest assets and the right-of-use assets**

The fair value of the Group’s plantation forest assets at 30 June 2021 was estimated by an external valuer using the income approach, under which the projected future net cash inflows arising from the forest management and harvest, based on forecast of revenue from sales of timber logs and direct costs for the timber logs harvests, are discounted to present value. The net loss on change in fair value less costs to sell of plantation forest assets of RMB484.4 million for the eighteen months ended 30 June 2021 was a result of the decrease in the fair value of the plantation forest assets from approximately RMB514.5 million as at 31 December 2019 to approximately RMB30.1 million as at 30 June 2021. The net loss on change in fair value less costs to sell of plantation forest assets of approximately RMB50.9 million for FY2019 was mainly a result of the decrease in the fair value of the plantation forest assets from approximately RMB574.4 million as at 31 December 2018 to approximately RMB514.5 million as at 31 December 2019. The fair value of the Group’s plantation forest assets as at 30 June 2021 was estimated by an external valuer using the income approach based on the cashflow forecast (the “**Forecast**”) prepared by the management of the Company. Due to the change in business environment of the forestry management business in light of the latest government policies in relation to the environmental protection, the Forecast was prepared in a more prudent and conservative approach throughout the forecast period as compared to the valuation as at 31 December 2019, in terms of, among others, projection in logging activities, yield rate of logging and selling prices.

## Management Discussion and Analysis (continued)

In view that the Auditors are unable to form an opinion as to whether the Group can operate as a going concern in the foreseeable future, as detailed in paragraph (i) above, the Auditors were also unable to satisfy themselves that the income approach adopted for the valuation of the Group's plantation forest assets as at 30 June 2021 by the external valuer (the "Valuation") and the bases and assumptions used for the Valuation are reasonable and appropriate, including the ability of the Group to adhere the harvest forecasts, the quantity of timber logs to be harvested, future growth rates and discount rates adopted, and approvals to be obtained from the PRC government for timber logs harvest during the forecast period. Accordingly, the Auditors were unable to assess whether the fair value less cost to sell of the Group's plantation forest assets at 30 June 2021 is fairly stated and whether impairment loss is required to be made on the Group's leased land included in the right-of-use assets.

In assessing the fairness and reasonableness of the fair value of the Group's plantation forest assets as at 30 June 2021, the Company's management has considered whether the bases and assumptions adopted by the external valuer, particularly the Forecast, are fair and reasonable. In preparing the Forecast, the Company's management has considered, among other things, the business environment of the forestry management business, the latest government policies in relation to the environmental protection, the actual logging quotas that the Group obtained for the calendar years of 2021 and 2022, the actual selling prices of the timber logs of the Group sold during the year ended 30 June 2022 and the six months ended 31 December 2022, and the actual revenue generated from sales of timber logs and direct costs for the timber logs harvested for the year ended 30 June 2022 and the six months ended 31 December 2022. The Company's management have also discussed with the external valuer on other major bases and assumptions adopted in the Valuation, including the discount rate. The Company's management are of the view that the Valuation of the Group's plantation forest assets as at 30 June 2021 is fair and reasonable.

There was no divergence of view between the management of the Company and the Auditors with respect to the Disclaimer in respect of scope limitation regarding the plantation forest assets and the right-of-use assets. The Company's management recognises that the Auditors did not have enough information to assess whether the fair value of the Group's plantation forest assets is fairly stated and whether impairment loss is required to be made on the Group's leased land, hence the disclaimed opinion.

Having considered (a) upon completion of the Proposed Restructuring such that the Group's financial position is expected to improve and the Group will have sufficient working capital for its requirement for at least the next 12 months from the date of completion of the Proposed Restructuring; (b) the current business operation of the Group; and (c) the Group is able to realise the business plan of the forestry management business for the year ending 30 June 2023, the Directors expect, that the consolidated financial statements of the Group for the financial year ending 30 June 2023 will no longer carry the Disclaimer after discussed with the Auditors.

# Management Discussion and Analysis (continued)

## PROSPECTS

During the eighteen months ended 30 June 2021, the global consumer sentiment had been affected and the operating environment had been difficult due to the outbreak of Coronavirus disease 2019 (COVID-19) across the world. Among the three core businesses of the Group, namely forestry management business, container houses business and money lending business, only the container houses business had brought revenue to the Group during the eighteen months ended 30 June 2021, while the Group did not conduct any logging operations throughout the period and did not consume any forest resource because the Group was unable to obtain any logging permit as a result of administrative difficulties of the National Forestry and Grassland Administration due to the seriousness of the COVID-19 pandemic during the material time, and the money lending business had been ceased since September 2020 after the money lender's licence of the relevant subsidiary expired on 26 September 2020. The container houses business also had been ceased since June 2022 due to underperformance and change in business strategy of the Group.

In July 2021, the Group has obtained logging permits for the calendar year of 2021 with logging quantity of 6,003.3 cubic meters in aggregate. Further in November 2022, the Group has obtained the logging permits for the calendar year of 2022 with logging quantity of 16,648.0 cubic meters in aggregate. It is expected the forestry management business has resumed to normal with the resumption of logging activities and would bring in stable revenue to the Group.

To fully utilise the woodland of the Group and to maximise shareholders' return, the Group has begun the plantation of ginseng in the Group's existing forests and has commenced the trading of ginseng in the third quarter of 2022. The ginseng planted and sold by the Group is a new breed of ginseng cultivated from a mixture of Changbai Mountain ginseng, American ginseng and Korean ginseng, the key highlight of which is it can realise artificial indoor planting and does not require planting in colder regions. The ginseng business will enable the Group to expand its business portfolio, diversify its income stream and broaden its revenue base.

## FINANCIAL REVIEW

### Revenue

During the eighteen months ended 30 June 2021, the Company recorded revenue of approximately RMB25.6 million, representing a decrease of approximately 52.7% as compared to approximately RMB54.3 million for year ended 31 December 2019 (the "FY2019"). The Group's revenue for the eighteen months ended 30 June 2021 was attributable to the revenue from the container houses business of the Group. During the eighteen months ended 30 June 2021, due to the outbreak of COVID-19 in the PRC causing administrative difficulties for the local government authorities, the Group was unable to obtain the logging permit for the calendar year of 2020 from the National Forestry and Grassland Administration. Hence, the Group did not conduct logging operations throughout the period and did not consume forest resources. In July 2021, the Group has obtained logging permits for the calendar year of 2021 with logging quantity of 6,003.3 cubic meters in aggregate. Due to the change in business strategy of the Group and the under-performed financial results of the container houses business and money lending business, the Group has decided to suspend these business operations. The container houses business has been ceased since June 2022. The money lending business has been ceased since September 2020 after the money lender's licence expired on 26 September 2020.

# Management Discussion and Analysis (continued)

## Gross Profit

The Group recorded a gross profit at approximately RMB2.1 million for the eighteen months ended 30 June 2021 (FY2019: approximately RMB34.8 million). Such decrease was mainly due to increase in cost of sales and services and significant decrease in revenue.

## Selling and Distribution Expenses

The selling and distribution expenses recognised for the eighteen months ended 30 June 2021 amounted to approximately RMB0.8 million (FY2019: RMB0.2 million). The selling and distribution expenses were mainly attributable to the advertising expense for the container house business.

## Administrative Expenses

The administrative expenses increased approximately 41.8% from approximately RMB23.8 million for FY2019 to approximately RMB33.7 million for the eighteen months ended 30 June 2021. The increase in administrative expenses was mainly attributable to the directors' emoluments and other staff costs.

## Other Losses, net

For the eighteen months ended 30 June 2021, the Group recorded approximately RMB490.9 million other losses (FY2019: approximately RMB330.5 million). Other losses mainly included net loss on change in fair value less costs to sell of plantation forest assets of approximately RMB484.4 million and an impairment loss recognised in respect of trade receivables of approximately RMB7.2 million.

## Finance Costs

For the eighteen months ended 30 June 2021, the Group recorded finance costs of approximately RMB33.8 million, representing an increase of approximately 46.6% as compared to approximately RMB23.0 million for FY2019. The finance costs include mainly interests on (i) the promissory notes (being the Note A as stated below), bearing 5% interest rate per annum and with the principal amount of HK\$23,800,000 issued on 6 June 2017; (ii) the promissory notes (being the Note B as stated below), bearing 5% interest rate per annum with the principal amount of HK\$34,100,000 issued on 15 August 2018; and (iii) the corporate bonds with the aggregate principal amounts of HK\$279,769,000 bearing interest rates ranged from 4.15% to 15.92% per annum.

## Loss and Total Comprehensive Expense Attributable to Owners of the Company

The Company recorded a loss of approximately RMB553.6 million for the eighteen months ended 30 June 2021 as compared to a loss of approximately RMB340.5 million for FY2019. The total comprehensive expense attributable to owners of the Company was approximately RMB529.6 million for the eighteen months ended 30 June 2021 as compared to the total comprehensive expense of approximately RMB348.4 million for FY2019.

## Basic Loss per Share

Basic loss per share for the eighteen months ended 30 June 2021 amounted to RMB5.02 cents (FY2019: RMB3.09 cents).

# Management Discussion and Analysis (continued)

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had a total of 22 employees and management personnel as compared to 27 employees and management personnel as at 31 December 2019. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB13.9 million (FY2019: RMB10.3 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows, proceeds from issue of corporate bonds and promissory notes and certain net proceeds from fund raising activities. As at 30 June 2021, the Group had total assets of approximately RMB86.9 million and net liabilities of approximately RMB277.3 million. The Group's cash and bank balances as at 30 June 2021 amounted to approximately RMB1.8 million. As at 30 June 2021, there was no unutilised banking facilities (31 December 2019: nil).

### Promissory note issued on 6 June 2017 (the "Note A")

On 31 May 2017, the Company and the vendors, six independent third parties entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire the entire issued share capital in Garden Glaze, at total consideration of HK\$170,000,000, to be satisfied by the issue of the Promissory Note (being the "Note A") to the vendors. Garden Glaze is an investment holding company incorporated in the BVI with limited liability. Through its wholly-owned subsidiaries, Garden Glaze indirectly wholly holds the entire equity interest in Jiange Ruixiang Linye Company Limited, which is principally engaged in the plantation, harvesting and selling of timber in the forests, and possesses the Ruixiang Forest and the right to be engaged in the operations and management of the Ruixiang Forest. The Note A bears an interest at 5% per annum for two years and is payable on the maturity date of 5 June 2019. During the year ended 31 December 2017, the Company redeemed part of the Note A with the principal amount of HK\$86,200,000 for cash consideration of HK\$86,200,000. During the year ended 31 December 2018, the Company redeemed part of the Note A with the principal amount of HK\$60,000,000 for cash consideration of HK\$60,000,000. On 3 June 2019, the Company entered into a supplemental deed to amend certain terms and conditions of the Note A, pursuant to which the parties thereto agreed to extend the maturity date of the Note A, with the principal amount of HK\$23,800,000 from 5 June 2019 to 5 July 2019. On 23 July 2019, the Company entered into the second supplemental deed to amend certain terms and conditions of the Note A, pursuant to which the parties thereto agreed to extend the maturity date of the Note A, with the principal amount HK\$23,800,000 from 5 July 2019 to 10 February 2020.

At 30 June 2021, the Note A with the principal amount of HK\$23,800,000 (31 December 2019: HK\$23,800,000) remained outstanding and overdue.

## Management Discussion and Analysis (continued)

### Promissory note issued on 15 August 2018 (the “Note B”)

On 15 August 2018, the Company issued the Note B with the principal amount of HK\$34,100,000 as part of the consideration for acquisition of the entire interest in Today Bridge and its subsidiaries. The Note B is unsecured, carries interest at 5% per annum and is payable on the maturity date of 14 August 2020. The Company is also entitled to redeem the whole or part of the Note B at any time after the issue date to one day before the maturity date by 7 business days advance notice.

At 30 June 2021, the Note B with the principal amount of HK\$34,100,000 (31 December 2019: HK\$34,100,000) remained outstanding and overdue.

### Corporate bonds

During the year ended 31 December 2019, the Company entered into subscription agreements with 9 independent private investors pursuant to which the investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of HK\$32.9 million at par value, bearing interest rates of 5% to 10% per annum and maturity date is 1 year to 1.5 year from the date of issue.

At 30 June 2021, the corporate bonds with the principal amount of HK\$279,769,000 (31 December 2019: HK\$276,000,000) remained outstanding and overdue.

### PLEDGE ON ASSETS

As at 30 June 2021, there was no pledge of assets of the Group (31 December 2019: nil).

### SIGNIFICANT INVESTMENT OR ACQUISITIONS AND DISPOSAL

Save as disclosed in this annual report, there were no significant investment held or material acquisitions and disposals of subsidiaries for the eighteen months ended 30 June 2021 (FY2019: nil).

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As disclosed in the Company’s announcement dated 22 May 2020, on 22 May 2020, the Group, through Shenzhen Yi Feng Network Technology Limited, its wholly-owned subsidiary, has entered into a cooperation agreement with Hunan Hei Jiu Jiu Ye Limited Company\* (湖南黑酒酒業有限公司) (“Hunan Hei Jiu Jiu Ye”) in respect of the sales of the designated products of Hunan Hei Jiu Jiu Ye through agency worldwide.

Save as disclosed above, the Group had no other future plans for material investments or capital assets as at 30 June 2021.

### CAPITAL COMMITMENTS

The Group has no capital commitments as at 30 June 2021 (31 December 2019: nil).

# Management Discussion and Analysis (continued)

## FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and Reminbi. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the eighteen months ended 30 June 2021, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

## GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 419.1% as at 30 June 2021 (31 December 2019: 57.1%). As at 30 June 2021, promissory notes with the principal amount of HK\$57.9 million remained outstanding and the corporate bonds with the principal amount of approximately HK\$279.8 million remained outstanding.

## CAPITAL STRUCTURE

The share capital of the Company comprises only ordinary shares. As at 30 June 2021, the total number of the ordinary shares of the Company in issue was 11,024,220,415 shares (31 December 2019: 11,024,220,415 shares). The total deficit on equity attributable to owners of the Company was approximately RMB277.3 million (31 December 2019: total equity approximately RMB252.2 million).

## UPDATE OF THE PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF HENGFUDELAISI

References are made to the announcements of the Company dated 22 April 2016, 21 June 2016 and 15 July 2016, and the circular of the Company dated 27 June 2016 concerning the acquisition of Shenzhen Heng Fu Delaisi Intelligent Housing Limited\* (深圳恒富得萊斯智能房屋有限公司) ("Hengfudelaishi"). The entire consideration of the acquisition was RMB250,000,000, of which a total sum of RMB210,000,000 would be payable by stage by the Company on a half-yearly basis after Hengfudelaishi has achieved the profit guarantee in a sum which is equal to the amount of the part of the consideration payable; and the vendors have to compensate up to RMB40,000,000 to the Company if the accumulated audited net profit of the target group (including Gorgeous City Investment Limited and its subsidiaries including Hengfudelaishi) ("Hengfu Group") after taxation during the guaranteed period is less than RMB210,000,000.

Upon the expiration of the guaranteed period, the accumulated net profits of the Hengfu Group (after taxation) was less than RMB210,000,000. Accordingly, the vendors shall jointly and severally pay to the Company a compensation in cash. The Vendors are liable to pay to the Company a compensation of RMB30,104,085 in cash (the "Compensation"). For further details please refer to the announcement of the Company dated 5 February 2021.

As at the date of the publication of this annual report, the Company has recently got in touch with Mr. Lai Liangduo\* (黎良多) and Mr. Liu Jianpu\* (劉建甫), being the representatives of the Vendors. The parties have reached a preliminary understanding that they shall endeavour to reach a settlement arrangement. The Company will make announcement(s) on material developments of acquisition of Hengfudelaishi as and when the terms of settlement are finalised between the parties.

# Management Discussion and Analysis (continued)

## MATERIAL LITIGATION

On 15 May 2020, the Group received the Petition filed by a holder of the bonds issued by the Company against the Company for an order of winding up the Company. The Petition was filed against the Company for failure to settle the outstanding principal of the bonds and the accrued interest accumulated to an aggregate of HK\$10,158,794, which was included in corporate bonds payable at 31 December 2020 presented in the condensed consolidated statement of financial position.

The Petition against the Company was dismissed after an order was made by the High Court on 4 October 2021 upon joint application of the Petitioner and the Company to withdraw the Petition by way of consent summons. For details, please refer to the announcement of the Company dated 29 October 2021.

On 7 August 2020, the landlord of the Company's office (the "**Landlord**") filed a writ of summon against the Company in respect of the claim of outstanding rent, air-conditioning charges, service charges, rates and interest (the "**Claim**"). On 23 October 2020, the Court made the final and interlocutory judgment and order. The Company is required to pay the landlord (i) the Claim of HK\$596,766; (ii) rent, air-conditioning charges, service charges, rates and interest from 1 September 2020 to the date of delivery of vacant possession of the premises; (iii) damages to be assessed; and (iv) costs of this action to be taxed. On 6 November 2020, the Company vacated the premises and the premises have been taken over by the Landlord. As at 30 June 2021, the total sum owed by the Company to the landlord was approximately HK\$1,219,000.

Furthermore, to facilitate the debt restructuring of the Company, Professor Fei Phillip, the chairman of the Board, has filed a winding up petition against the Company at the Cayman Court and the Company has also made an application to the Cayman Court for an application for the appointment of JPLs of the Company, with the hearing held at the Cayman Court on 3 December 2020 (Cayman Islands time). At the hearing, the Order in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Martin Trott of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes. The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose. For further details please refer to the announcements of the Company dated 3 December 2020, 9 December 2020, 28 January 2021 and 11 May 2021.

As at the date of this annual report, despite the withdrawal and dismissal of the Petition in Hong Kong, the winding up petition filed by Professor Fei Phillip against the Company in the Cayman Islands as well as the appointment of the JPLs remained in place. For details, please refer to the Company's announcement dated 29 October 2021.

## Management Discussion and Analysis (continued)

### SUMMARY OF FIVE-YEAR FINANCIAL INFORMATION

A summary of the consolidated results and the assets and liabilities of the Group for the eighteen months ended 30 June 2021 and for the four years ended 31 December 2019 is set out as follows:

#### Results

	For the year ended 31 December				For the eighteen months ended 30 June
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2021 RMB'000
Revenue	20,114	85,572	51,359	54,254	<b>25,648</b>
Gross profit/loss	14,654	67,984	29,128	34,812	<b>2,092</b>
Loss before tax	(52,736)	(18,797)	(18,797)	(340,292)	<b>(553,380)</b>
Loss attributable to owners of the Company	(52,452)	(7,739)	(7,739)	(340,484)	<b>(553,630)</b>

#### Assets and Liabilities

	As at 31 December				As at 30 June
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	2021 RMB'000
Non-current assets	528,340	664,183	713,910	570,969	<b>76,456</b>
Current assets	105,444	188,061	175,552	17,537	<b>10,450</b>
Current liabilities	89,496	99,603	90,718	176,966	<b>307,038</b>
Net assets/(liabilities)	311,900	386,394	600,620	252,237	<b>(277,319)</b>

# Biographical Information of Directors and Senior Management

Brief biographical details of the Directors and senior management of the Group as at the date of this report are set out as follows:

## EXECUTIVE DIRECTORS

**Professor Fei Phillip (“Professor Fei”)**, aged 66, is the chairman, an executive Director and an authorised representative of the Company. He is the professor of International Economic Department of the University of International Relations (國際關係學院), the Peoples Republic of China. Currently he is the council member of the Chinese Overseas Friendship Association (中華海外聯誼會理事) and the China Council for the Promotion of Peaceful National Reunification (中國和平統一促進會). He is also the specially invited committee member of the Hebei Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and Foreign Affairs\* (河北港澳台僑和外事委員會). He has over 10 years of experience in the international finance, trading business and economic researches.

**Mr. Wang Yue (“Mr. Wang”)**, aged 40, is an executive Director of the Company. He obtained a bachelor’s degree in Business and Economics from the University of Leeds in the United Kingdom in 2004. He has been the general manager of Hunan Kai Xuan Real Estate Development Company Limited\* (湖南凱軒房地產開發有限公司) since 2005.

**Mr. Li Wenjun (“Mr. Li”)**, aged 63, is an executive Director and the chief executive officer of the Company. He graduated with a Bachelor’s Degree in Chemical Engineering from the Department of Chemical Machinery at South China University of Technology, the People’s Republic of China in July 1982. Mr. Li formerly served as (i) an executive director of Kiu Hung International Holdings Limited (Stock Code: 00381) during March 2017 to June 2017; (ii) an executive director of KEYNE LTD (formerly known as Nine Express Limited) (Stock code: 0009) during October 2015 to December 2016; (iii) the executive director and deputy general manager of China Water Industry Group Limited (Stock code: 1129) during June 2009 to August 2011, shares of the above companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); (iv) the executive director of Chinese Energy Holdings Limited (formerly known as iMerchants Limited) (Stock Code: 8009) during March 2008 to September 2011, shares of which are listed on the GEM of the Stock Exchange. Mr. Li has accumulated over 30 years working experience in chemical engineering, corporate and project management and mergers and acquisitions.

**Ms. Hui Hing Conniel (“Ms. Hui”)**, aged 47, holds a Diploma in Business Administration from The Society of Business Practitioners. Ms. Hui is currently a director of PDC Group International Limited which is principally engaged in trading of electronic products. She is the President of Hong Kong Youth Association.

**Mr. Lai Chi Yin Samuel (“Mr. Lai”)**, aged 59, holds a Master’s Degree of Business Administration (MBA) and Higher Diploma of Business Administration from the University of Wales. Mr. Lai is currently a director of DreamPro Lifestyle & Sports Management Company Limited, a private limited company registered in Hong Kong which is principally engaged in organization of sports events. Mr. Lai has accumulated over 30 years’ working experience as an executive in sales, marketing, administration and personnel while working at international companies in the United Kingdom, Hong Kong, Singapore, Thailand, and Pakistan. On 16 January 2020, Mr. Lai was appointed as the independent non-executive director of Kiu Hung International Holdings Limited (僑雄國際控股有限公司) (Stock code: 0381), a company listed on the Main Board of the Stock Exchange.

## Biographical Information of Directors and Senior Management (continued)

### NON-EXECUTIVE DIRECTOR

**Mr. Gu Sotong (“Mr. Gu”)**, aged 55, has extensive experience in research, development and testing of high-tech products and market expansion. Mr. Gu is currently the head of the Shenzhen workstation of 公安部檢測中心 (the Testing Center of the Ministry of Public Security\*) and the chairman of 深圳市東方威視科技有限公司 (Shenzhen Dongfang Weishi Technology Company Limited\*) (“**Dongfang Weishi**”). Dongfang Weishi is mainly engaged in testing of security products in Shenzhen. He graduated from 北京社會函授大學 (Beijing Society Hanshou University\*).

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Liu Zhaoxiang (“Mr. Liu”)**, aged 75, is an independent non-executive Director. He graduated with a Bachelor degree in industrial economics and management at the Economics Management and Journal Union University (經濟管理刊授聯合大學) of the PRC in 1986. Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants since 18 March 2000. He has more than 42 years of experience in accounting and auditing, and worked at various stated-owned enterprises, government departments at municipal level and an accounting firm in Hubei Province of the PRC. From 2005 to 2012, Mr. Liu had been a partner of Wongga Partners Certified Public Accountants (SZ) (深圳皇嘉會計師事務所) and since 2012, he has been a chief auditor of the said accounting firm.

**Ms. Wong Hoi Ying (“Ms. Wong”)**, aged 34, has over 12 years of experience in auditing, accounting, financial management, and regulatory compliance. She is currently the financial controller of Smart Wealth Engineering Limited. She is responsible for providing financial analysis and company financial status to the board for business decision making and monitor company debt level. Prior to working in Smart Wealth Engineering Limited, Ms. Wong worked at a number of companies, including at Shinewing (HK) CPA Limited.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. Ms. Wong obtained a Bachelor of Arts (Accounting and Finance) Degree from Edinburgh Napier University in March 2019.

**Mr. Wang Yibin (“Mr. Wang”)**, aged 54, has more than 18 years of experiences in banking, insurance, fund investment and securities management. He had worked as a chief executive officer and a general manager of Bensen Plastic Metal Products Co., Ltd (博羅縣立泰塑膠五金製品有限公司) for more than 10 years. Mr. Wang obtained a bachelor’s degree in Business Administration from Henan University of Economics and Law in 1994.

**Mr. Guo Zhonglong (“Mr. Guo”)**, aged 72, has more than 20 years of experience in accounting and corporate finance. Mr. Guo worked as a general manager in the Shenzhen branch of Shinewing (HK) CPA Limited from 2003 to 2004. Mr. Guo obtained a Master degree in Accountancy from the Dongbei University of Finance and Economics in 2002 and had been a member of The Chinese Institute of Certified Public Accountants from 1993-2020.

# Biographical Information of Directors and Senior Management (continued)

## SENIOR MANAGEMENT

**Mr. Chan Ngai Fan (“Mr. Chan”)**, aged 42, was appointed as the company secretary and an authorized representative of the Company in May 2021. Mr. Chan has approximately 15 years of experience in auditing, accounting and financial management. In the early stage of his career, Mr. Chan worked successively in JBPB & Company (formerly known as Grant Thornton and later merged with BDO Limited), with his last position as an assistant manager in assurance from August 2007 to February 2011. From March 2011 to April 2015, he served as the chief financial officer of a PRC-based mining company.

Mr. Chan acted as the financial controller of KPa-BM Holdings Limited (stock code: 2663) from May 2015 to April 2018. He acted as an independent non-executive director of Sino Vision Worldwide Holdings Limited (formerly DX.com Holdings Limited) (stock code: 8086) from August 2017 to September 2018. In addition, he acted as a non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (stock code: 8301) from September 2016 to April 2018 and from January 2019 to March 2019. He also acted as an executive director and the chief financial officer of Shenzhen Mingwah Aohan High Technology Corporation Limited (stock code: 8301) from April 2018 to January 2019. Afterwards, he acted as the company secretary of Sino Vision Worldwide Holdings Limited (formerly DX.com Holdings Limited) (stock code: 8086) from January 2019 to May 2019.

Currently, he acted as an independent non-executive director of Sanxun Holdings Group Limited (stock code: 6611) since September 2019, an independent non-executive director of Leader Education Limited (stock code: 1449) since July 2020, an independent non-executive director of Capital Finance Holdings Limited (stock code: 8239) since January 2022 and an independent non-executive director of Contel Technology Company Limited (stock code: 1912) since March 2022. He also acted as the joint company secretary of Centenary United Holdings Limited since January 2019, the company secretary of Zhengwei Group Holdings Company Limited since June 2022 and the company secretary of Bison Finance Group Limited (stock code: 888) since August 2022 for handling compliance related matters.

Mr. Chan obtained a bachelor’s degree in Arts in Accountancy and a master’s degree in Corporate Governance from the Hong Kong Polytechnic University in December 2007 and October 2013, respectively. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising), and an associate member of the Hong Kong Institute of Chartered Secretaries since February 2011 and November 2019, respectively.

# Directors' Report

The Directors are pleased to present this annual report together with the audited financial statements of the Group for the eighteen months ended 30 June 2021.

## CHANGE OF FINANCIAL YEAR END DATE

On 10 December 2020, the Company announced that the financial year end date of the Company has been changed from 31 December to 30 June each year.

## PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 45 to the consolidated financial statements. During the eighteen months ended 30 June 2021, the Group has positioned the forestry management business, container houses business, and money lending business as its core businesses. As at 30 June 2022, the long and medium lease forest lands in the PRC owned by the Group were approximately 21,045 Chinese Mu, 9,623 Chinese Mu, 13,219 Chinese Mu, 30,653 Chinese Mu and 42,814 Chinese Mu in the Hengchang Forest, the Kunlin Forest, the Senbo Forest, Ruixiang Forest and Wantai Forest, respectively.

Among its core businesses, the Group achieved a revenue of approximately RMB25.7 million in the container houses business and did not achieve revenue in both forestry business and money lending business for the eighteen months ended 30 June 2021.

An analysis of the Group's performance for the eighteen months ended 30 June 2021 by business and geographical segments is set out in Note 7 to the consolidated financial statements of this annual report.

## FINANCIAL RESULTS

The performance of the Group for the eighteen months ended 30 June 2021 and the Group's financial position at that date are set out in the consolidated financial statements on pages 61 to 168 of this annual report.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the eighteen months ended 30 June 2021 attributable to the Group's major suppliers and customers are as follows:

	Percentage of the total purchases/sales accounted for (%)
Purchase	
– the largest supplier	88%
– the five largest suppliers combined	100%
Sales	
– the largest customer	41%
– the five largest customers combined	88%

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

# Directors' Report (continued)

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the eighteen months ended 30 June 2021 are set out in Note 17 to the consolidated financial statements of this annual report.

## **SHARE CAPITAL**

Details of movements during the eighteen months ended 30 June 2021 in the share capital of the Company are set out in note 33 to the consolidated financial statements of this annual report.

## **BORROWINGS**

The Group has no secured bank borrowings as at 30 June 2021. Details of promissory notes and corporate bonds payable by the Group are set out in Note 28 and Note 29 respectively.

## **GROUP FINANCIAL SUMMARY**

A summary of the Group's results and assets and liabilities for the past 5 financial years is set out in the section of "Summary of Five-Year Financial Information" of this annual report.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to acting in an environmentally responsible manner, the Group strives to ensure minimal environmental impacts by carefully managing our energy consumption, water usage and waste production, such as using LED lamps, recycling and use of eco-friendly stationery, plus a series of measures to save paper and energy. At office level, the Company has implemented green initiatives and encourage staff to join environmental related training, resulted in more efficient use of resources, as well as reduction of waste.

## **RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customers to fulfil their immediate and longterm need. The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group work closely and well-communicated to suppliers before the commencement of a project.

# Directors' Report (continued)

## PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

### Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities in Mainland China. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

### Currency risk

No significant revenue derived by the Group in respect of the eighteen months ended 30 June 2021 and the year ended 31 December 2019 were denominated in foreign currencies. Substantially all of the costs incurred for both of the eighteen months ended 30 June 2021 and the year ended 31 December 2019 were denominated in functional currencies of the group entities.

At 30 June 2021 and 31 December 2019, the companies in the Group had some monetary assets and liabilities which were denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

### Interest rate risk

As at 30 June 2021 and 31 December 2019, the Group was exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

### Credit risk

As at 30 June 2021, the Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets derived from its loans receivable, trade and other receivables and deposits at banks. Majority of the Group's bank deposits are placed in a bank which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past. The Group has large number of customers and there was concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

## Directors' Report (continued)

### **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the eighteen months ended 30 June 2021.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best of the Directors knowledge, at least 25% of the Company's issued shares was held by the public throughout the eighteen months ended 30 June 2021.

### **RESERVES**

Details of movements in the reserves of the Company and the Group during the eighteen months ended 30 June 2021 are set out in Note 44 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

### **DISTRIBUTABLE RESERVES**

As at 30 June 2021, the Company does not have any reserve available for distribution to owners (2019: nil).

### **DIRECTORS**

The list of Directors during the period and up to the date of this annual report is set out in the "Board Composition" section of this annual report. Information about the Board, including board members' appointments and retirements, and their interests in Company's shares, is set out in the "Corporate Governance Report" of this annual report.

### **BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT**

The biographical details of Directors and Senior Management as at the date of this annual report are set out in the "Biographical Information of Directors and Senior Management" section of this annual report.

### **DIRECTORS' SERVICE AGREEMENT**

None of the Directors, including those retired or to be re-elected at the forthcoming annual general meeting, has a service agreement which is not determinable by the Group within the eighteen months ended 30 June 2021 without the payment of compensation (other than statutory compensation).

## Directors' Report (continued)

### REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the directors and five individuals with highest emoluments are set out in Note 14 to the consolidated financial statements.

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### Long position/short position in shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares	Percentage of issued share capital (Note 1)
Liang Guoxin	Beneficial owner	Long Position	30,000	0.01
Tian Guangmei	Beneficial owner	Long Position	790,000	0.01
Wang Yue (Note 2)	Beneficial owner	Long Position	3,197,023,920	29.00

Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2021 i.e. 11,024,220,415 shares.
2. Mr. Wang directly holds 3,092,703,920 Shares and he is deemed to be interested in 104,320,000 Shares which are beneficially owned by his spouse under Part XV of the SFO.

Save as disclosed above, as at 30 June 2021, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

## **Directors' Report** (continued)

### **FINAL DIVIDEND**

The Board does not recommend the payment of any dividend for the eighteen months ended 30 June 2021 (FY2019: nil).

### **DIRECTORS' INTERESTS IN CONTRACTS**

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during eighteen months ended 30 June 2021.

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from the details as disclosed under the heading "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

### **CONNECTED TRANSACTIONS**

No transactions were entered into by the Group during the eighteen months ended 30 June 2021, which constitute connected transactions under the Listing Rules.

### **DIRECTORS' INTEREST IN A COMPETING BUSINESS**

During the eighteen months ended 30 June 2021, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### **MANAGEMENT CONTRACTS**

During the eighteen months ended 30 June 2021, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or were in existence.

### **RETIREMENT BENEFIT SCHEMES**

Particulars of the retirement benefit schemes of the Group are set out in Note 35 to the consolidated financial statements.

## Directors' Report (continued)

### **CORPORATE GOVERNANCE**

The Company's principal corporate governance practices are set out in the Corporate Governance Report of this annual report.

### **ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS**

It is proposed that the annual general meeting ("**2021 AGM**") of the Company for the eighteen months ended 30 June 2021 will be held on a date to be fixed by the Board. Notice of the 2021 AGM will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the Company at <http://www.caflc.co/>, as well as despatched to shareholders of the Company in due course.

### **AUDITORS**

The consolidated financial statements of the Group for the eighteen months ended 30 June 2021 were audited by CCTH CPA Limited, who would retire at the forthcoming AGM of the Company and, being eligible, offer themselves for reappointment. A resolution will be submitted to the AGM for Shareholders to re-appoint CCTH CPA Limited as auditors of the Company.

On behalf of the Board

**Professor Fei Phillip**

*Chairman and Executive Director*

Hong Kong, 18 January 2022

# Environmental, Social and Governance Report

## SCOPE AND REPORTING PERIOD

This is the fifth Environmental, Social, and Governance (“**ESG**”) report by China Bozza Development Holdings Limited (“**the Group**”, formerly known as China Agroforestry Low-Carbon Holdings Limited), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules and Guidance set out by The Stock Exchange of Hong Kong Limited.

This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the business operations in following operations from 1 January 2020 to 30 June 2021 (“**Reporting Period**”), unless otherwise stated:

- (i) forestry business (i.e. plantation, logging and sale of timber related products) in Sichuan Province, the People’s Republic of China (“**PRC**”), with a total of five forests covered in the report.

The following forest is subtropical humid forest, Asia (continental >20y);

1. Hengchang forest

The following four forests are tropical moist deciduous forests, Asia (continental >20y):

2. Kunlin forest
3. Senbo forest
4. Ruixiang forest
5. Wantai forest

- (ii) overall management of the Group’s business in the Shenzhen Office

Compared with the last reporting period, there is no significant change in reporting scope as the Group continues its forestry business. The Group’s forestry management business owns approximately 78 million m<sup>2</sup> of long-lease forest lands in the PRC, during this Reporting Period, including different types of forests in five locations listed above. The Group’s office operations at Shenzhen and Hong Kong oversees and manages its business operations during the Reporting Period.

## REPORTING PRINCIPLES

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix 27 to the Listing Rules of the Stock Exchange (the “**Guide**”). The contents covered herein are in compliance with the mandatory disclosure requirement and the provision of “Comply or Explain” as well as four reporting principles of materiality, quantitiveness, balance and consistency required in the Guide.

*Materiality* – The Group pledges to carry out materiality assessments to identify material environmental and social issues that have major impacts on investors and other stakeholders when it has the capacity to do so.

*Quantitiveness* – Key performance indicators (“**KPI**”)s have been established, and are measurable and applicable to make valid comparisons under appropriate conditions; information on the standards, methodologies, assumptions, and/or calculation tools used, and sources of conversion factors used, have been disclosed when applicable.

# Environmental, Social and Governance Report (continued)

*Balance* – The Report presents the Group’s performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements.

*Consistency* – Consistent statistical methodologies and presentation of KPIs have been used to allow meaningful comparisons of related data over time.

## **BOARD STATEMENT**

The Board has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. Senior management are delegated the responsibility of coordinating the implementation of the Group’s environment, employment and service quality assurance policies.

## **SUSTAINABILITY GOVERNANCE**

The sustainability plan of the Group shall be developed based on results of ESG Reports and regular reports from senior management, which shall be reviewed on an annual basis and adjusted as needed to align with the long-term business strategy of the Group.

## **THE GROUP’S SUSTAINABILITY MISSION AND VISION**

The Group ensures strict compliance with any applicable regulations, laws, guidelines, and standards. Furthermore, the Group strives to achieve an optimum balance among maximum profit, responsibility and satisfaction for stakeholders. The Group does not consider ESG as a marketing tool. ESG is not about making donation, nor about issue of corporate social responsibility reports. It should be inherently integrated within daily operation and business decision making. The key message of the Group’s sustainability mission is to reinforce the positive correlation between risk management and governance, followed by product innovation and management innovation.

While the establishment of an ESG working group is still under discussion, the Board oversees the ESG management for the Group. In particular, the Board pays close attention to the risks brought about by environmental and climate change, which are critical to the forestry business. With proper risk management, the Group is poised to capture various opportunities brought by environmental change and to make respective policy adjustment accordingly.

In the near future, the Group will continue to implement the principles of low-carbon economy and circular economy in its operations of sustainable farming and forestry business. The Group strives to adopt circular economy principles in forest sector and to capture the full potential of the forests throughout their lifecycle through the sustainable transformation and management of low-yield forests, management of forests for carbon sequestration, utilization of various forest resources, transformation of forest lands, and utilization of residues from land transformation and timber processing as a source of biomass fuel.

# Environmental, Social and Governance Report (continued)

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group continues to engage the key stakeholders such as board members, managers, employees, forestry workers, regulators, external experts, and suppliers through regular interactions and working closely with them to discuss and to review areas of attention via various communication channels.

Due to disruptions from the COVID-19 pandemic, the Group has not had the opportunity to conduct stakeholder surveys during this Reporting Period. The Group shall strive to resume engagement with its stakeholders in the upcoming Reporting Period to identify the most important environmental and social material topics.

## STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our environmental, social and governance approach and performance. Please give your suggestions or share your views with us via phone at 2882 2989.

### A. Environmental

The Group and its daily operations have little negative impacts on the natural environment. The Group does not generate emissions, wastewater and hazardous waste in its daily operations.

The Group's activities that have caused indirect environmental impacts include: 1) consumption of purchased electricity; 2) processing of freshwater and sewage; and 3) paper waste disposed of in landfills. Their corresponding emissions during the Reporting Period were calculated and presented in section A1.

The Group strictly abide by applicable laws such as the Environmental Protection Law of the PRC. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste had been identified during the Reporting Period.

#### A1. Emissions

##### A1.1 Air Emissions

Both the forestry business and office operations at Shenzhen and Hong Kong have not generated major air emissions. The Group did not own any vehicles during the Reporting Period and all employees are encouraged to take public transport and/or taxis for business trips.

##### A1.2 Greenhouse Gas (GHG) Emissions

The total amount of GHG, mainly carbon dioxide, methane and nitrous oxide, emissions for the Group during the Reporting Period was 0.56 tonne CO<sub>2eq.</sub> (562.02 kg) and the overall intensity was 51.09 kg CO<sub>2eq.</sub> per employee. The following activities contributed to the indirect GHG emissions reported:

- Energy indirect (scope 2) GHG emissions from purchased electricity; and
- Other indirect (scope 3) GHG emissions from municipal freshwater and sewage processing and waste paper landfilling.

# Environmental, Social and Governance Report (continued)

Activity	GHG emissions (kg CO <sub>2</sub> eq.)	%
<b>Scope 1 Direct GHG emission</b>	Not Applicable	
<b>Scope 2 Energy indirect GHG emission</b>		
Purchased electricity	40.27	7%
<b>Scope 3 Other indirect GHG emission</b>		
Freshwater and sewage processing	209.75	93%
Paper waste disposed of in landfills	312.00	
<b>Total GHG</b>	<b>562.02</b>	<b>100%</b>

Note: Emission factors were made reference to Appendix 27 to the Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise. Emission factor (EF) of 0.6101 kg CO<sub>2</sub>eq./kWh was used for purchased electricity in China.

Despite the above-mentioned GHG emissions, potential carbon sequestration can be realized through the biomass accumulation in its managed forest. The Intergovernmental Panel on Climate Change's ("IPCC") gain-loss method (from 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 4: Agriculture, Forestry and Other Land Use, Chapter 4 Forest Land) was used to estimate the annual increase in carbon stocks resulting from biomass growth, which was then converted to CO<sub>2</sub> sequestration.

Based on forest types and areas, it is estimated that a total of 42,141 tonnes of CO<sub>2</sub> was sequestered from the Group's forest operation during the Reporting Period. It should be noted that the annual carbon sequestration figure only provides a rough estimation as some factors were not taken into account due to lack of data. For instance, the annual carbon stocks loss due to biomass loss, resulting from wood removal, transfer of biomass to dead organic matters and carbon loss to mortality, was not calculated.

### A1.3 Hazardous Waste

The Group's operations of its forestry business and offices did not generate significant amount of hazardous waste, other than some electronic waste, used lightbulbs, and cleaning supplies. Toner cartridges for printers were recycled by the suppliers.

The Group generated 60 kg of hazardous waste during the Reporting Period, of which 30 kg was electronic waste, 25 kg was cleaning supplies, and 5 kg was used lightbulbs. The hazardous waste generation intensity was 5.45 kg per employee.

# Environmental, Social and Governance Report *(continued)*

## *A1.4 Non-hazardous Waste*

During the Reporting Period, the Group generated an approximate total of 18.55 tonnes of non-hazardous waste, with an overall intensity of 1,686.36 kg per employee. Non-hazardous waste generated from the Group's business operation mainly included waste from the forestry business, with a small amount from waste office paper and general office waste. An approximate amount of 65 kg of waste paper was landfilled during the Reporting Period.

The amount of waste from forestry business was approximately 18 tonnes, whereas the amount of general office waste was approximately 0.55 tonnes, both of which were handled and treated by municipal waste treatment facilities.

## *A1.5 Measures to Mitigate Emissions*

With minimal direct emissions generated by its operation, the Group's controlling and mitigation schemes have been focused on encouraging eco-friendly behaviours among staff, such as printing on double sides, reusing printing papers, and sharing office supplies by all employees. Employees are encouraged to use public transport or take hybrid vehicles for business trips.

During the last Reporting Period, business air travel was identified as a substantial source of the Group's GHG emissions. In response, the Group has eliminated all business air travel while maintaining communication with various parties through telecommunication. Employees are encouraged to take buses and trains for short and medium-distance business trips, if necessary.

Due to heavy disruptions to its business, the environmental performance of the Group during this Reporting Period is not indicative of its usual operations. As such, this Reporting Period cannot be used as the baseline year for setting the Group's annual target for GHG emissions. The Group shall strive to resume normal operations as soon as possible, and shall set its annual target for GHG emissions reduction once that has been achieved:

## *A1.6 Wastes Reduction and Initiatives*

With insignificant amount of waste generated from its business operation, the Group has not set up any waste reduction schemes formally. However, it has promoted environmental awareness through unwritten norms and its sustainable corporate culture. For example, paperless office is highly encouraged among employees, and if possible, double-sided printing is preferred.

Due to heavy disruptions to its business, the environmental performance of the Group during this Reporting Period is not indicative of its usual operations. As such, this Reporting Period cannot be used as the baseline year for setting the Group's annual target for overall waste reduction. The Group shall strive to resume normal operations as soon as possible, and shall set its annual target for hazardous waste and non-hazardous waste reduction once that has been achieved.

# Environmental, Social and Governance Report (continued)

## **A2. Use of Resources**

### *A2.1 Energy Consumption*

The only kind of energy consumption by the Group during the Reporting Period was electricity for its office operations. The total electricity consumption was 66 Kilowatt-hour (kWh), with an overall intensity of 6 kWh per employee.

### *A2.2 Water Consumption*

The Group did not consume a significant amount of water for its business activities. Forestry business relies solely on natural precipitation. For the Group's office operations, the bill of water use is paid to the management office of the office building. The Group's office operations had not been involved in the direct management of water resources.

The total water consumption of the Group was estimated at 475 m<sup>3</sup> during the Reporting Period. The overall intensity for water consumption was 43.18 m<sup>3</sup> per employee. No issues on sourcing water were reported during the Reporting Period.

### *A2.3 Energy Use Efficiency Initiatives*

The energy consumption from the Group's business operation is not significant. Its forestry business only consumed a very insignificant amount of electricity for lighting purpose. For Shenzhen Office, electricity was the major type of energy consumed by the Group. Thus, employees are reminded to switch off lights, air conditioners, computers, monitors and equipment before leaving work.

Due to heavy disruptions to its business, the environmental performance of the Group during this Reporting Period is not indicative of its usual operations. As such, this Reporting Period cannot be used as the baseline year for setting the Group's annual target for energy consumption reduction. The Group shall strive to resume normal operations as soon as possible, and shall set its annual target for energy consumption reduction once that has been achieved.

### *A2.4 Water Use Efficiency Initiatives*

The Group's business operation did not involve any significant water consumption. Its forestry business has not consumed any processed water and hence no formal water use efficiency initiatives have been established. While the Group has not set any targets for water consumption reduction due to its minimal impacts, the Group nonetheless promotes reasonable water use initiatives and water saving measures among its employees.

Office operations of the Group do not directly control and/or manage water consumption and hence has not put forth any water use efficiency initiatives. Nevertheless, water-saving signs have been put up in the pantry and toilets to remind employees of water conservation.

### *A2.5 Packaging Material*

The Group's business operation did not involve any significant use of packaging materials. The packaging material consumption during this Reporting Period was not recorded.

# Environmental, Social and Governance Report (continued)

## **A3. The Environment and Natural Resources**

### *A3.1 Significant Impacts of Activities on the Environment*

The nature of the Group's business poses limited negative impact on the environment. Instead, proper management of forest resources and use of forest products can contribute to substantial GHG reductions. The forests contain carbon in living trees and plants, organic matter and soil. While forest management activities such as harvesting, thinning, planting, natural decaying, controlling forest fires and insects have impacts on the environment, the continuous growth and regeneration of the forests, as well as the absorption of CO<sub>2</sub> and nutrients by other animals and organisms have taken up large amount of carbon from the atmosphere. The Group continuously promotes environmental protection to pose minimal impacts on the surrounding environment and ecosystem.

#### Resource Conservation

The forestry business continues to adopt sound forest management practices, such as complying with logging requirements, selective logging, and conducting monthly inspection and annual evaluation on the forests. Overall, local government bodies centrally manage the local forestry resource conservation and involve extensively in the Group's logging activities.

The Group adopts selective logging. Formal application, with details such as logging site, tree species, quantity, has to be made to the forestry administration department, if necessary, for issue of logging permit after careful consideration.

The scrutinization and approval criteria are set by the Forest Resources Management Unit and the Forestry Investigation Team. The approval of annual logging activities will take into account of the logging method, forest growth rate and harvesting area will be considered. The Forest Resources Management Unit also control the logging frequency based on the local environment, tree growth cycle and growth rate.

No fertilizers, nor tree growth accelerators have been applied during the Reporting Period. Pest and disease control have been centrally managed by the local forestry management department, which is responsible for the overall arrangement on pest control for all forest areas within the county. Local forestry workers will be employed to carry out integrated pest management when pests are detected. The soil testing has also been conducted regularly to check on soil fertility.

## **A4. Climate Change**

### *A4.1 Significant Climate-Related Issues*

Climate change poses a huge threat to all businesses, and that of the Group's is not an exception. In response to the global and national call to have carbon emissions peak before 2030 and achieve carbon neutrality before 2050 or 2060, the Group acknowledges the significance of addressing climate change in order to be more responsive to potential climate-related consequences.

# Environmental, Social and Governance Report (continued)

The Group expects that extreme weather events such as typhoons, floodings from excessive rain, or prolonged droughts shall become significant issues as climate change progresses. Logging activities may be disrupted by the above-mentioned weather events, which may also lead to severe damage of forests where logging takes place. To minimise the impact of these climate-related issues, the Group has formulated numerous contingency plans to ensure the safety of its employees in logging activities.

As a business in the forestry industry, the Group recognises that its decisions will play a huge role in mitigating climate-related issues. The Group's forest operations sequesters significant amounts of carbon dioxide, and the Group shall adopt stricter forest management practices to ensure that logging activities have minimal impact on the local environment and resources.

## B. Social

### 1. *Employment and labour practices*

#### B1. *Employment*

The Group stringently complies with national and local laws and regulations concerning employment and labour practices, such as Labour Law of the PRC and Labour Contract Law of the PRC. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare had been identified during the Reporting Period.

Policies on employees' rights and benefits, including public holidays, annual paid leaves, sick leaves, maternity leaves have been formulated and executed per the Labour Law of the PRC, Labour Contract Law of the PRC, and Salary Payment Regulations of the PRC. Employees in the PRC have been provided with social insurance and housing provident fund.

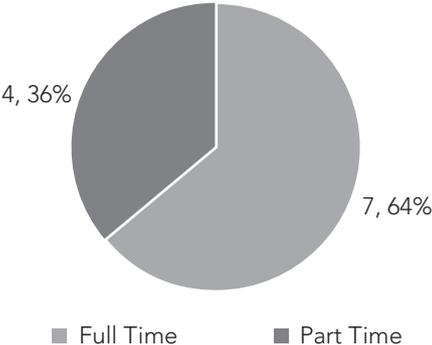
The Group formulates its own reward system with reference to market salary trends. Individual employee's contribution to the Group is also a major consideration in salary adjustment. Overall, there are three types of salary adjustment: regular salary adjustment, seniority salary adjustment, and post salary adjustment. There was no change in its recruitment procedure during this Reporting Period. No major changes have been made to the appraisal, promotion, reward and penalty system. All employees are liable for promotion based on their competence and suitability for specific position. When there is a vacancy, priority is given to internal employees.

Equal opportunity is provided to all employees in terms of promotion, appraisal, training, development and other aspects. Employees are not discriminated against or deprived of opportunities based on gender, nationality, ethnic background, religion, political affiliation, age, marital status, and physical disability.

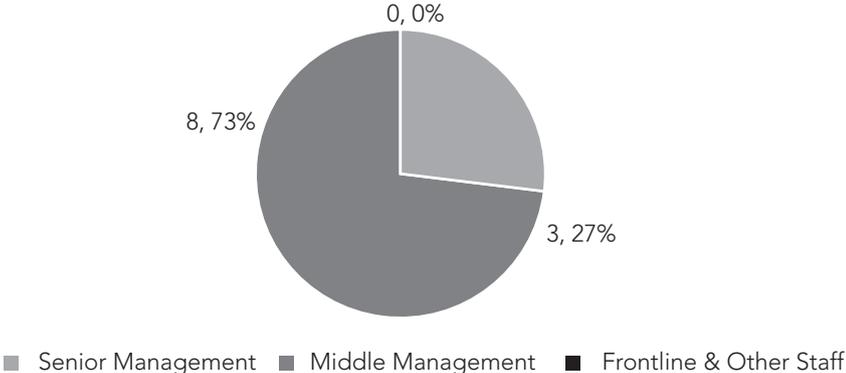
# Environmental, Social and Governance Report (continued)

The Group had a total number of 11 employees as of 30 June 2021. There has been a major decrease in the total number of employees compared with that of the last Reporting Period due to the reduced business volume. Whenever applicable, severance pay was made to laid-off employees according to the Labour Law of the PRC.

**Total Workforce (number of employees, %) by Employee Type**

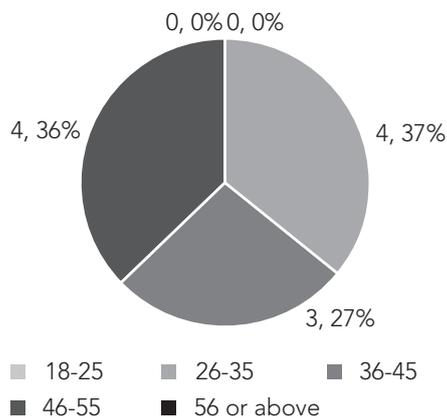


**Total Workforce (number of employees, %) by Employee Category**

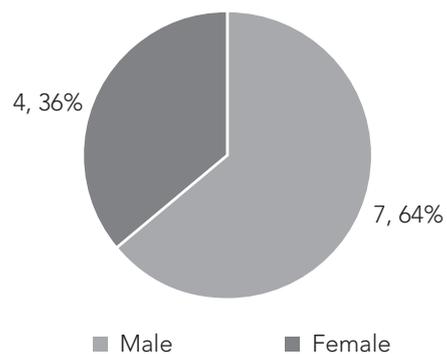


# Environmental, Social and Governance Report (continued)

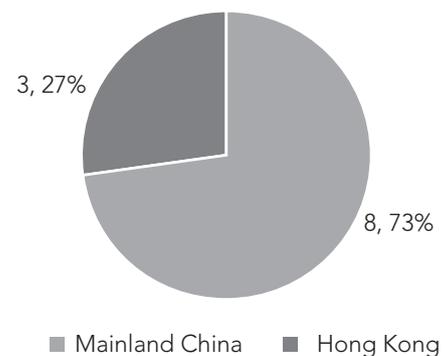
**Total Workforce (number of employees, %) by Age**



**Total Workforce (number of employees, %) by Gender**



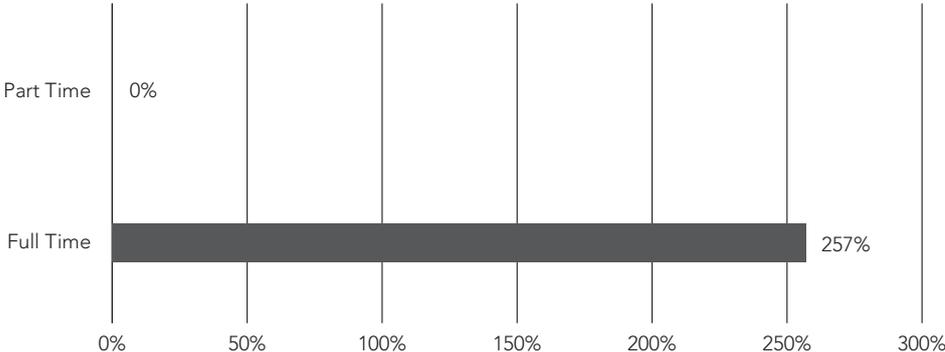
**Total Workforce (number of employees, %) by Geographical Region**



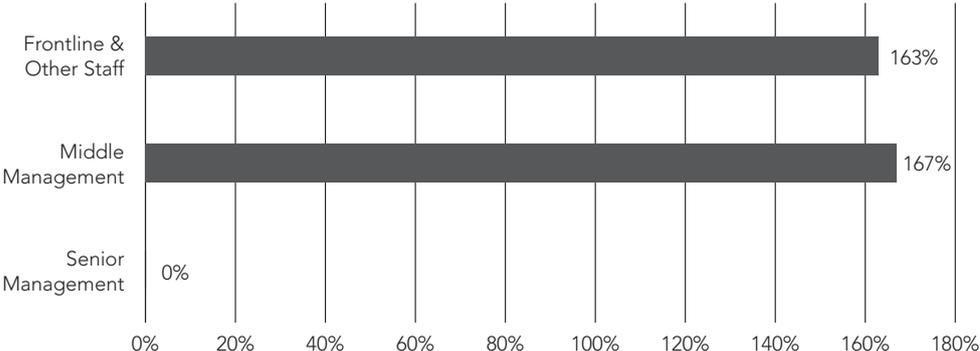
# Environmental, Social and Governance Report (continued)

The overall employee turnover rate was 164% during the Reporting Period. The reduced business volume during this Reporting Period contributed to the high employee turnover.

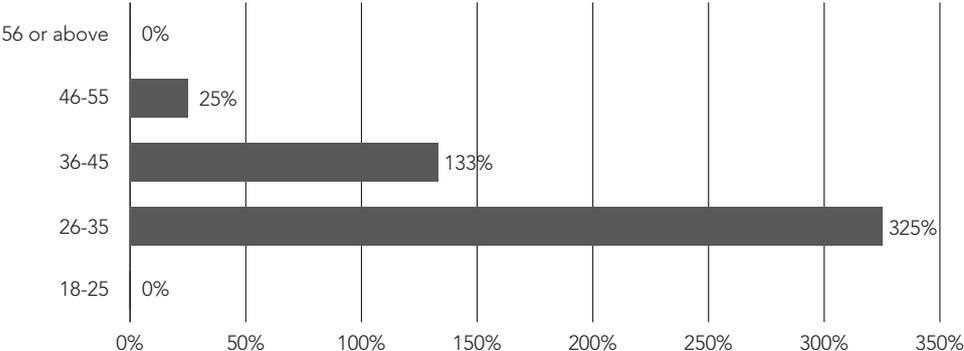
**Total Turnover Rate by Employee Type**



**Total Turnover Rate by Employee Category**

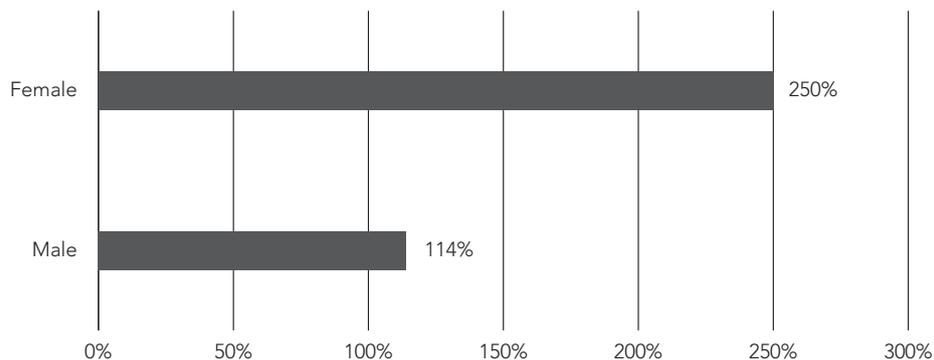


**Total Turnover Rate by Age**

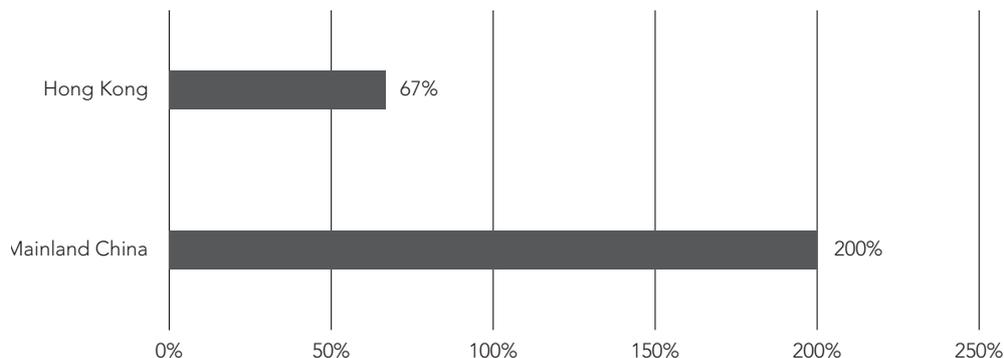


# Environmental, Social and Governance Report (continued)

### Total Turnover Rate by Gender



### Total Turnover Rate by Geographical Region



## B2. *Employee Health and Safety*

The Group strives to provide employees with a safe workplace. The Group abides by relevant laws and regulations such as Law of the PRC on the Prevention and Control of Occupational Diseases. The Group provides medical examinations to employees to ensure that they are in good physical and mental health. Employees who are exposed to health hazards in the workplace can report to their department heads and have the right to request for remediation.

Clear instructions and labels on emergency evacuation and fire safety are put up at Shenzhen Office building. Sufficient fire extinguishers are placed in the office area. Fire safety knowledge lectures and fire drills are conducted annually for all office workers.

## Environmental, Social and Governance Report (continued)

Warning signs such as "Take Precautions" were put up throughout the forest areas. All contracted loggers have undergone medical examinations to ensure that they are physically fit to perform forestry management tasks. The loggers are all equipped with appropriate protective gears and follow safety guidelines. Designated personnel from forest workstations shall be on site to instruct and supervise all logging activities. When making the inspection tour in the forest, the inspection route shall be planned in advance and be strictly followed. Relevant safety protection is in place to protect the workers' safety.

In addition to the health and safety management for its employees, the Group promotes the importance of forest protection and fire prevention among residents of local communities, jointly with local forest workstations and police stations. The joint promotion aims to arouse the awareness of forest protection among local villagers and to avoid the occurrence of any forest destruction incidents from the root causes.

No work-related fatality or injury cases were reported during the Reporting Period. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to provision of a safe working environment and protection of employees from occupational hazards was identified during the Reporting Period.

### B3. Development and Training

The Human Resources department manages all employee development and training, including orientation and on-job trainings. General training sessions provided to all newly engaged employees cover topics such as basic information of the Group, personal job duties and other related topics. Based on the Group's developmental needs, professional knowledge training has also been offered to targeted employees, in order to improve collaboration between employees and professional skills.

During the Reporting Period, the Group has provided a total of 2,200 hours of training for an accumulative number of 22 employees (inclusive of employees who have left the Group during the Reporting Period), with average training hours per employee at 100 hours.

<b>Breakdown of training provided to employees</b>		
<b><i>By employee category</i></b>		
Frontline and other staff	Percentage of employees trained	200%
	Average training hours completed per employee	103.33
Middle management	Percentage of employees trained	200%
	Average training hours completed per employee	98.75
Senior Management	Percentage of employees trained	N/A
	Average training hours completed per employee	N/A
<b><i>By gender</i></b>		
Female	Percentage of employees trained	200%
	Average training hours completed per employee	94.29
Male	Percentage of employees trained	200%
	Average training hours completed per employee	110.00

# Environmental, Social and Governance Report (continued)

## *B4. Labour Standards*

The Group strictly observes the Labour Law of the PRC, the labour Contract Law of the PRC, the Law on the Protection of Minors in terms of labour practices. Background checks were conducted on new employees and all employees are required to show their original identity cards to prove their legal identities.

In case of any child or forced labour is found, labour contract will be terminated immediately, and the case will be reported to the local legal entity. Depending on the situation, the person(s) involved may be sent to the hospital for medical examination, to ensure that his/her health has not been affected by the work. The Group's top management will also take appropriate disciplinary actions against those who are responsible for the violation and negligence.

During the Reporting Period, no non-compliance concerning labour standards as required by related laws and regulations was recorded, and there was no child nor forced labour in the Group's business operation.

## **2. Operating Practices**

### *B5. Supply Chain Management*

The Group had engaged with 10 suppliers from the PRC, responsible for provision of product packaging, during the Reporting Period. The Group has standard procedures for engaging suppliers and contractors related to its business operation. Suppliers and contractors are encouraged to maintain a high standard of business ethics and conducts and a satisfactory environmental and social performance.

The Group has signed an agreement with the local authority in Sichuan to set up designated forest workstation to perform forest management activities. The Group conducts an annual assessment on the performance of the contracted forest workstations. The Group will evaluate and adjust the contract fee based on the assessment results.

### *B6. Product Responsibility*

Product Labelling, Health and Safety, and Advertising

The Group's business operation did not involve product labelling. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided had been identified during the Reporting Period.

Quality Assurance

Logs harvested from the forests are the major products of the Group. Due to the business nature, no relevant policies on quality assurance and/or complaint handling procedures have been established. The Group does not perform further processing on raw logs harvested. Customers visit our forests and select logs on-site based on their business needs and quality requirements. Customer then arrange for shipment of their selected logs themselves. The Group actively engages with customers during follow-up visits and calls to understand customers' level of satisfaction and to build strong customer relationships.

# Environmental, Social and Governance Report (continued)

## Customer Data Protection

The Group acknowledges the importance of protecting the privacy and confidentiality of relevant stakeholders and prohibits the use of any personal information of clients by other parties. The Group implements various schemes to prevent data leakage and misuse or abuse of customer sensitive information. For example, anti-virus software and firewall have been installed on office networked servers and have been constantly updated to prevent virus attack and external hacking. File transmission is carried out via internal mailbox to prevent data intruding by hackers. Up-to-date, no leakage of customer information has been reported.

## Intellectual Property

The Group's business operation did not involve Intellectual Property rights protection. No non-compliance with relevant laws and regulations that have a significant impact on the Group relating to intellectual property rights had been identified during the Reporting Period.

### *B7. Anti-corruption*

The Group is committed to managing all businesses without undue influence and has regarded honesty, integrity, and fairness as its core values. All parties shall observe the Law Against Unfair Competition of the PRC, Criminal Law of the PRC, and other laws, regulations and regulatory documents related to commercial bribery.

Upon encounter of any suspicious activities, employees at any level have the responsibility and right to report directly to the top management team of the Group. The Group ensures that no one suffers any detrimental treatment as a result of refusing to accept or offer a bribe or other corrupt activities or because they reported a concern relating to potential acts of bribery or corruption. Upon receipt of any report of suspected corruption, theft, fraud, embezzlement or money laundering, the Group will take immediate actions to investigate the suspected case and try to obtain evidence through different channels, such as internet, phone calls, mails, and personal visits.

No non-compliance with any laws and regulations in relation to corruption, bribery, fraud and money laundering that have a significant impact on the Group had been identified during the Reporting Period.

Due to disruptions from the COVID-19 pandemic, the Group has not had the opportunity to conduct anti-corruption training among its employees during this Reporting Period. The Group shall strive to initiate anti-corruption training for its employees in the upcoming Reporting Period.

### *B8. Community Investment*

No formal policies on community contribution have yet been established by the Group. During the Reporting Period, the Group has not participated in any community engagement activities.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the code provisions (the “**Code Provisions**”) contained in the Corporate Governance Code (the “**CG Code**”) as set out in the Appendix 14 to the Listing Rules as the Company’s code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the eighteen months ended 30 June 2021, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8, A.4.1, A.5.1 and C.2.1 as addressed below (the CG Code has been amended and the Code Provisions have been renumbered with effect from January 2022, however, for illustration purpose covering the period of eighteen months ended 30 June 2021, Code Provisions with old numbering are used here):

1. Under Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. As at 30 June 2021, the Company has not arranged to purchase any Directors and Officers’ Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall support Directors in any events arising from corporate activities;
2. Under Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. As at 30 June 2021, except for Dr. Tse Kwok Sang, none of the non-executive Directors has been appointed for a specific term. Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company’s annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company’s articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.
3. Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Liang Guoxin as an independent non-executive Director with effect from 15 June 2020, the members of the Nomination Committee had not comprised a majority of independent non-executive Directors. On 8 December 2020, the Company appointed Dr. Tse Kwok Sang as an independent non-executive Director, a member of each of the Audit Committee and nomination committee of the Company (the “**Nomination Committee**”) and the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”). The Company then re-complied with the Code Provision A.5.1.

# Corporate Governance Report (continued)

- Under Code Provision C.2.1, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company'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 provides information and updates to the members of the Board from time to time, which the Directors consider to be sufficient and appropriate in the circumstances to enable them to form a balanced and understandable assessment of the Company's performance and to discharge their duties.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the Code Provisions contained in the CG Code.

## **FAILURE TO COMPLY WITH THE MAIN BOARD LISTING RULES**

The Company failed to comply with the following financial reporting provisions under the Listing Rules in due course: (i) announce the annual results for the eighteen months ended 30 June 2021; and (ii) issue the annual report for the eighteen months ended 30 June 2021. Such delays constituted the violation of Rule 13.46(2)(a) and Rule 13.49(1) of the Listing Rules. The Company failed to hold the annual general meeting for the eighteen months ended 30 June 2021 within the time prescribed by the Listing Rules and the Company's Bye-laws. The annual general meeting will be held on a date to be fixed by the Board, at which the Board will present the audited consolidated financial statements for the eighteen months ended 30 June 2021 of the Group to the shareholders for their consideration. The circular and notice of the annual general meeting will be despatched as soon as reasonably practicable.

## **THE BOARD**

### **Roles and Responsibilities**

The Board is responsible for overseeing the overall development of the Company's businesses with the objective of enhancing shareholders' value including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance half-yearly and developing and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its Shareholders.

Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The non-executive Directors (including the independent non-executive Directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings.

### **Board Composition**

The Board structure is governed by the Company's articles of association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

# Corporate Governance Report (continued)

## Board Diversity Policy

The Board has adopted a policy of the Board diversity (the “**Board Diversity Policy**”) which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

The Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. As at 30 June 2021, the Board comprised eleven Directors, two of which were female.

Our diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for the eighteen months ended 30 June 2021. As at 30 June 2021, 18% of our senior management and 64% of our total workforce were female. We will continue with our endeavor to increase female representation in our workforce.

The Board has reviewed the implementation and effectiveness of the Board Diversity Policy of the Company for the eighteen months ended 30 June 2021 and considered it to be effective.

As at 30 June 2021, the Board comprises five executive Directors, two non-executive Directors and four independent non-executive Directors as follows:

### Executive Directors:

Professor Fei Phillip (*Chairman*)

Mr. Li Wenjun (*Chief Executive Officer*)

Mr. Wang Yue

Ms. Feng Jiamin (resigned on 2 November 2020)

Ms. Lu Wei (resigned on 2 November 2020)

Mr. Wong Hiu Tung (resigned on 15 May 2020)

Mr. Ng Kwok Hung Perry (appointed on 30 November 2020 and resigned on 31 January 2022)

Mr. Pang Kin Lung (appointed on 30 November 2020 and resigned on 31 January 2022)

### Non-executive Directors:

Mr. Gu Sotong (appointed on 15 December 2020)

Ms. Wong Lee Ni (appointed on 8 March 2021 and resigned on 1 June 2022)

### Independent non-executive Directors:

Mr. Liu Zhaoxiang

Ms. Tian Guangmei (resigned on 1 June 2022)

Mr. Liang Guoxin (resigned on 15 June 2020)

Dr. Tse Kwok Sang (appointed on 8 December 2020 and resigned on 31 January 2022)

Mr. Huang Wenhong (appointed on 23 June 2021 and resigned on 30 June 2022)

# Corporate Governance Report (continued)

## Appointment, Re-Election and Removal of Directors

On 15 May 2020, Mr. Wong Hiu Tung resigned as an executive Director.

On 15 June 2020, Mr. Liang Guoxin resigned as an independent non-executive Director and ceased to be a member of the Audit Committee, a member of the Nomination Committee and the chairman of the Remuneration Committee.

On 2 November, Ms. Lu Wei and Ms. Feng Jiamin resigned as an executive Director respectively.

On 30 November, Mr. Ng Kwok Hung Perry and Mr. Pang Kin Lung were appointed as executive Directors.

On 8 December 2020, Dr. Tse Kwok Sang was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

On 15 December 2020, Mr. Gu Sotong was appointed as a non-executive Director.

On 8 March 2021, Mr. Wong Lee Ni was appointed as a non-executive Director.

On 23 June 2021, Mr. Huang Wenhong was appointed as an independent non-executive Director.

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to reelection. except for Dr. Tse Kwok Sang, none of the non-executive Directors has been appointed for a specific term. Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company's annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.

According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election. Pursuant to the Company's articles of association, all Directors are all eligible for re-appointment and three of them shall retire from office at the coming annual general meeting, who shall be eligible for re-election.

The members of the Board have no financial, business, family or other material/relevant relationship with each other.

## Corporate Governance Report (continued)

The Board also takes up the corporate governance functions pursuant to the Code. During the period under review, the work performed by the Board on corporate governance function is summarized as follows:

- (a) developed and reviewed policies and practices on corporate governance;
- (b) reviewed and monitored the training and continuous professional development of directors and senior management;
- (c) reviewed and monitored the policies and practices on compliance with legal and regulatory requirements;
- (d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) reviewed the Company's compliance with the Code and disclosure in the Corporate Governance Report.

### Delegation to Management

Day-to-day operational responsibilities are specifically delegated by the Board to the management under the leadership of the Chief Executive Officer ("**CEO**"). Major matters include implementation of the strategies and decisions approved by the Board and the management assumes full responsibility to the Board for operations of the Group.

### Directors' Participation in Continuous Professional Trainings

Code Provision A.6.5 of the Code provides that all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. All Directors have been required to provide the Company with their training records. The Company has received from the Directors the confirmations on taking continuous professional training course during the eighteen months ended 30 June 2021.

# Corporate Governance Report (continued)

## Independent non-executive Directors

As at 30 June 2021, the Company has four independent non-executive Directors who have brought in a wide range of business and financial expertise, experience and independent judgement to the Board.

On 15 June 2020, Mr. Liang Guoxin resigned as an independent non-executive Director and ceased to be the chairman of the Remuneration Committee and the member of the Audit Committee and the Nomination Committee. The number of independent non-executive Director and each of the Audit Committee, Nomination Committee and Remuneration Committee fell below the minimum number required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules. In addition, the Company failed to meet the composition requirement of the remuneration committee of the Board under Rule 3.25 of the Listing Rules and the composition requirement of the nomination committee under code provision A.5.1 of the Code and the relevant terms of references of the Company. The Listing Rules require the Company to fill the vacancy(ies) of the Board and the relevant board committees within three months from 15 June 2020. On 8 December 2020, the Company appointed Dr. Tse Kwok Sang as an independent non-executive director, a member of each of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee. The Company then re-complied with the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules.

On 8 March 2021, Ms. Wong Lee Ni was appointed as a non-executive Director. Following the appointment of Ms. Wong Lee Ni, the Company failed to meet the requirement of independent non-executive directors representing at least one-third of the Board under Rule 3.10A of the Listing Rules. The Listing Rules require the Company to fill the vacancy(ies) of the Board for the position of independent non-executive director(s) within three months from 8 March 2021. On 23 June 2021, Mr. Huang Wenhong was appointed as an independent non-executive Director. The Company then re-complied with the requirements under Rules 3.10A and 3.11 of the Listing Rules. During the eighteen months ended 30 June 2021, at least one of the independent non-executive Director has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) and 3.10A of the Listing Rules.

As at 30 June 2021, the Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the non-executive Directors is independent. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence.

## Board Meetings

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. The Board normally has four scheduled meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend.

## Corporate Governance Report (continued)

Details of the number of Board meetings and general meeting held during the eighteen months ended 30 June 2021 and attendance of each Board member at those meetings and meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee are set out below:

Directors	Board	Attendance/Number of Meetings				
		Audit Committee	Remuneration Committee	Nomination Committee	General Meeting	
<b>Executive Directors</b>						
Professor Fei Phillip ( <i>Chairman</i> )	8/9	N/A	1/3	2/4	2/2	
Mr. Li Wenjun ( <i>Chief Executive Officer</i> )	4/9	N/A	N/A	N/A	2/2	
Mr. Wang Yue	7/9	N/A	N/A	N/A	2/2	
Ms. Feng Jiamin (resigned on 2 November 2020)	0/0	N/A	N/A	N/A	1/2	
Ms. Lu Wei (resigned on 2 November 2020)	0/0	N/A	N/A	N/A	1/2	
Mr. Wong Hiu Tung (resigned on 15 May 2020)	0/0	N/A	N/A	N/A	1/1	
Mr. Ng Kwok Hung Perry (appointed on 30 November 2020 and resigned on 31 January 2022)	3/5	N/A	N/A	N/A	N/A	
Mr. Pang Kin Lung (appointed on 30 November 2020 and resigned on 31 January 2022)	2/5	N/A	N/A	N/A	N/A	
<b>Non-executive Directors</b>						
Mr. Gu Sotong (appointed on 15 December 2020)	1/2	N/A	N/A	N/A	N/A	
Ms. Wong Lee Ni (appointed on 8 March 2021 and resigned on 1 June 2022)	1/1	N/A	N/A	N/A	N/A	
<b>Independent non-executive Directors</b>						
Mr. Liu Zhaoxiang (note 3)	3/9	2/2	0/3	1/4	0/2	
Ms. Tian Guangmei (resigned on 1 June 2022) (Note 1)	4/9	2/2	N/A	N/A	1/2	
Mr. Liang Guoxin (resigned on 15 June 2020) (note 2)	0/0	2/2	0/0	0/0	1/1	
Dr. Tse Kwok Sang (appointed on 8 December 2020 and resigned on 31 January 2022) (Note 4)	3/4	0/0	0/1	1/2	N/A	
Mr. Huang Wenhong (appointed on 23 June 2021 and resigned on 30 June 2022)	0/0	N/A	N/A	N/A	N/A	

# Corporate Governance Report (continued)

Note 1: the Chairman of the Audit Committee

Note 2: the Chairman of the Remuneration Committee and ceased to be the Chairman of the Remuneration Committee with effect from 15 June 2020

Note 3: the Chairman of the Nomination Committee

Note 4: the Chairman of the Remuneration Committee with effect from 8 December 2020 and ceased to be the Chairman of the Remuneration Committee with effect from 31 January 2022

## DELEGATION BY THE BOARD

### Board Committees

The Board has delegated authority to 3 standing Committees with specific roles and responsibilities. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

The Board delegates the responsibility of implementing its strategies and the day-to-day activities to the management of the Company with department heads responsible for different aspects of the business. Management of the Company is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval.

### Nomination Committee

The Company established a nomination committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with the Code Provisions. The principal duties of the nomination committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. As at 30 June 2021, the Nomination Committee comprised one executive Director, namely Professor Fei Phillip and two independent non-executive Directors namely Mr. Liu Zhaoxiang and Dr. Tse Kwok Sang. Mr. Liu Zhaoxiang has been appointed as the chairman of the Nomination Committee.

### Remuneration Committee

The Company established a remuneration committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with the Code Provisions. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management. As at 30 June 2021, the Remuneration Committee comprises one executive Director, namely, Professor Fei Phillip and two independent non-executive Directors, namely Mr. Liu Zhaoxing and Dr. Tse Kwok Sang. Dr. Tse Kwok Sang has been appointed as the chairman of the Remuneration Committee.

# Corporate Governance Report (continued)

## Audit Committee

The Company established an audit committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with Rules 3.21 to 3.23 of the Listing Rules, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. As at 30 June 2021, the Audit Committee has three members comprising our three independent non-executive Directors, namely Ms. Tian Guangmei, Mr. Liu Zhaoxiang and Dr. Tse Kwok Sang. Ms. Tian Guangmei has been appointed as the chairman of the Audit Committee.

The annual results for the eighteen months ended 30 June 2021 was reviewed by the current Audit Committee, which was composed by four independent non-executive Directors, namely Ms. Wong Hoi Ying, Mr. Liu Zhaoxiang, Mr. Wang Yibin and Mr. Guo Zhonglong, on 18 January 2023 before recommending them to the Board for approval on the same date. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, the annual results of the Group during the eighteen months ended 30 June 2021 as well as auditing, internal control and financial reporting matters, including the consolidated financial statements for the eighteen months ended 30 June 2021. The Audit Committee has no disagreement on the Group's consolidated financial results contained in this announcement.

## COMPANY SECRETARY

On 27 July 2020, Mr. Leung Man Kit resigned as a company secretary of the Company (the "Company Secretary") and Mr. Yuen Kwok Kuen was appointed as the Company Secretary with effect from 27 July 2020. On 10 December 2020, the employment of Mr. Yuen Kwok Kuen as the Company Secretary was terminated and Mr. Lau Wai Piu was appointed as the Company Secretary with effect from 10 December 2020.

The company secretary reported to the Chairman on Board governance matters, and are responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management.

In compliance with Rule 3.29 of the Listing Rules, Mr. Leung Man Kit, Mr. Yuen Kowk Kuen and Mr. Lau Wai Piu has undertaken no less than 15 hours of relevant professional training during the eighteen months ended 30 June 2021.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. Details of the remuneration committee and other relevant information are set out in the section of Remuneration Committee of this annual report.

The remuneration paid or payable to fifteen directors and senior management by band for the period under review is set out below:

Remuneration bands (HK\$)	Number of persons
HK\$Nil to HK\$1,000,000	16
HK\$1,000,001 to HK\$2,000,000	–
Over HK\$2,000,000	–

Further particulars regarding Director's remuneration and the five highest paid employees are set out in Notes 14(a) and 14(b) to the financial statements, respectively.

# Corporate Governance Report (continued)

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Having made specific enquiry with all Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the eighteen months ended 31 June 2021.

## EXTERNAL AUDITOR

The auditors are CCTH CPA Limited. CCTH CPA Limited provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for the eighteen months ended 30 June 2021.

The remuneration paid to the Company's auditor for the eighteen months ended 30 June 2021 is as below:

	RMB'000
Audit services provided to the Group	800
Non-audit services	348
Total	1,148

The statement of the auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 57 to 60 of this annual report.

## INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries.

The Board is responsible for maintaining a sound and effective system of internal controls in the Group and for reviewing its effectiveness through the Audit Committee. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has delegated to executive management the design, implementation and ongoing assessment of such systems of internal controls, while the Board through its Audit Committee oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. Qualified personnel throughout the Group maintain and monitor these systems of controls on an ongoing basis.

The Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively for the eighteen months ended 30 June 2021.

# Corporate Governance Report (continued)

## RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. To discharge this responsibility, the Board regularly reviews the reports prepared by the management on the Group's financial and operational performance as well as the development of major initiatives.

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for the eighteen months ended 30 June 2021.

The statements of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 60.

As disclosed in note 2 to the consolidated financial statements, the Group incurred net loss of approximately RMB553,630,000 for the eighteen-month period ended 30 June 2021 and as of 30 June 2021, the Group's (i) total liabilities exceeded its total assets by approximately RMB277,319,000; and (ii) current liabilities exceeded its current assets by approximately RMB296,588,000. As at 30 June 2021, the Group's liabilities include promissory notes payable, corporate bonds payable and interests payable on these payables with the carrying amounts of approximately RMB52,027,000, RMB254,458,000 and RMB12,392,000 respectively, which remain outstanding up to the date of approval of these consolidated financial statements. These promissory notes and corporate bonds payables together with accrued interests payable to the aggregate of approximately RMB261,690,000 have been overdue for settlement by 30 June 2021 or due for settlement within the year after that date and are included in current liabilities in the consolidated statement of financial position.

The Group is undertaking the Proposed Restructuring as described in section headed "Proposed Restructuring of the Group" in this report. In light of the measures and arrangements implemented to date, the Directors are of the view that the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company on the going concern basis.

# Corporate Governance Report (continued)

## SHAREHOLDER RELATIONS

### Shareholder Engagement and Communication

The Board gives high priority to balanced, clear, and transparent communications which allow Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company engages with Shareholders and investors in a number of different ways to help ensure that their views and concerns are understood and addressed in a constructive way.

#### **(a) Convening an Extraordinary General Meeting on Requisition by Shareholders**

Shareholders shall have the right to request the Board to convene an extraordinary general meeting ("EGM") of the Company. Two or more Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company which carries the right of voting at the general meeting of the Company may send a written request to the Board of the Company to request for a EGM. The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the registered office of the Company.

#### **(b) Putting Forward Proposals at General Meetings**

A shareholder shall make a written requisition to the Board or the Company Secretary of the Company at the principal place of business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

#### **(c) Making Enquiry to the Board**

Shareholders may send written enquiries, either by post or by email, together with his/her contact details, such as postal address, email or fax, addressing to the principal place of business address of the Company at the following address or facsimile number or via the website of the Company:

Address: Unit 12, 12/F., Tower A, New Mandarin Plaza,  
No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong

Website: <http://www.caflc.co/>

All enquiries shall be collected by the Company Secretary who shall report to the executive Directors periodically on the enquiries collected. The executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Company Secretary will collect the answers for the executive Directors' review and approval. The Company Secretary shall then be authorised by the executive Directors to reply all enquiries in writing.

## CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum and Articles of Association during eighteen months 30 June 2021. A copy of the Memorandum and Articles of Association is posted on the websites of the Company and the Stock Exchange.

# Independent Auditor's Report



**CCTH CPA LIMITED**  
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF  
**CHINA BOZZA DEVELOPMENT HOLDINGS LIMITED**  
中國寶沙發展控股有限公司

(Formerly known as China Agroforestry Low-Carbon Holdings Limited 中國農林低碳控股有限公司)  
*(incorporated in the Cayman Islands with limited liability)*

## **DISCLAIMER OF OPINION**

We were engaged to audit the consolidated financial statements of China Bozza Development Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 61 to 168, which comprise the consolidated statement of financial position as at 30 June 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the eighteen-month period ended 30 June 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

# Independent Auditor's Report (continued)

## BASIS FOR DISCLAIMER OF OPINION

### (a) Multiple uncertainties relating to going concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred net loss of approximately RMB553,630,000 for the eighteen-month period ended 30 June 2021 and as of 30 June 2021, the Group's (i) total liabilities exceeded its total assets by approximately RMB277,319,000; and (ii) current liabilities exceeded its current assets by approximately RMB296,588,000. As at 30 June 2021, the Group's liabilities include promissory notes payable, corporate bonds payable and interests payable on these payables with the carrying amounts of approximately RMB52,027,000, RMB254,458,000 and RMB12,392,000 respectively as set out in notes 28, 29 and 27 to the consolidated financial statements respectively, which remain outstanding up to the date of approval of these consolidated financial statements. These promissory notes and corporate bonds payables together with accrued interests payable to the aggregate of approximately RMB261,690,000 have been overdue for settlement by 30 June 2021 or due for settlement within the year after that date and are included in current liabilities in the consolidated statement of financial position.

The aforementioned conditions indicate the existence of material multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

The consolidated financial statements have been prepared by the directors of the Company on a going concern basis, the validity of which depends upon the results of the successful implementation and outcome of the measures, as detailed in note 2 to the consolidated financial statements, to be undertaken by the Group. In view of the extent of the material uncertainties relating to the results of those measures to be undertaken by the Group which might cast a significant doubt on the Group's ability to continue as a going concern, we have disclaimed our audit opinion on the consolidated financial statements.

Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their net realisable 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 have not been reflected in the consolidated financial statements.

## Independent Auditor's Report (continued)

### (b) Scope limitation regarding the plantation forest assets and the right-of-use assets

As set out in note 19 to the consolidated financial statements, the Group's plantation forest assets are carried at fair value less cost to sell at 30 June 2021 amounted to approximately RMB30,140,000 with the loss on change in fair value less cost to sell amounted to approximately RMB484,360,000 charged to profit or loss in respect of the eighteen-month ended 30 June 2021. In addition, as set out in note 18 to the consolidated financial statements, included in right-of-use assets is leased land on which the Group's plantation forest assets are located with the carrying amount of approximately RMB46,096,000 at 30 June 2021. The fair value of the Group's plantation forest assets at 30 June 2021 was estimated by an external valuer using the income approach, under which the projected future net cash inflows arising from the forest management and harvest, based on forecast of revenue from sales of timber logs and direct costs for the timber logs harvests, are discounted to present value. In view that we are unable to form an opinion as to whether the Group can operate as a going concern in the foreseeable future, as detailed in paragraph (a) above, we are also unable to satisfy ourselves that the income approach adopted for the fair value valuation of the Group's plantation forest assets and the bases and assumptions used for the valuation are reasonable and appropriate, including the ability of the Group to adhere the harvest forecasts, the quantity of timber logs to be harvested, future growth rates and discount rates adopted, and approvals to be obtained from the PRC government for timber logs harvest during the forecast periods. Accordingly, we are unable to assess whether the fair value less cost to sell of the Group's plantation forest assets of approximately RMB30,140,000 at 30 June 2021 is fairly stated and whether impairment loss is required to be made on the Group's leased land included in the right-of-use assets.

Furthermore, as a result of the restrictions implemented by the PRC government to travel within the Mainland China as a result of the outbreak of COVID-19, we are not able to carry out site visits of the Group's plantation forest assets which are all located in Jiange County of the Sichuan Province of the Mainland China, and the external valuers also represented that they have not performed the site visits during the course of the valuation. Accordingly, we are unable to obtain sufficient appropriate audit evidence regarding the existence, quantities and conditions of these plantation forest assets used to arrive at their fair value valuation as at 30 June 2021.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net liabilities of the Group as at 30 June 2021, and the Group's loss and cash flows for the eighteen-month period ended 30 June 2021 and the related disclosures in the consolidated financial statements.

# Independent Auditor's Report (continued)

## RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### **CCTH CPA Limited**

*Certified Public Accountants*  
Hong Kong, 18 January 2023

### **Ng Kam Fai**

Practising Certificate Number: P06573

Unit 1510-1517, 15/F., Tower 2,  
Kowloon Commerce Centre,  
No. 51 Kwai Cheong Road, Kwai Chung,  
New Territories, Hong Kong

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the eighteen months ended 30 June 2021

	Notes	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000 (restated, note 1)
<b>Continuing operations</b>			
Revenue	6	25,648	47,911
Cost of sales and services		(23,556)	(19,442)
Gross profit		2,092	28,469
Investment and other income	8	3,755	2,443
Other losses, net	9	(490,880)	(203,622)
Selling and distribution expenses		(816)	(196)
Administrative expenses		(32,630)	(21,605)
Finance costs	10	(33,783)	(23,004)
Loss before tax		(552,262)	(217,515)
Income tax expense	11	–	–
Loss for the period/year from continuing operations	12	(552,262)	(217,515)
<b>Discontinued operation</b>			
Loss for the period/year from discontinued operation	13	(1,368)	(122,969)
Loss for the period/year		(553,630)	(340,484)
<b>Other comprehensive income/(expense)</b>			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of foreign operations		24,074	(7,899)
Other comprehensive income/(expense) for the period/year		24,074	(7,899)
Total comprehensive expense for the period/year		(529,556)	(348,383)

# Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the eighteen months ended 30 June 2021

	Notes	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000 (restated, note 1)
Loss for the period/year attributable to owners of the Company			
– Continuing operations		<b>(552,262)</b>	(217,515)
– Discontinued operation		<b>(1,368)</b>	(122,969)
<b>Loss for the period/year</b>		<b>(553,630)</b>	(340,484)
Total comprehensive expenses for the period/year attributable to owners of the Company			
– Continuing operations		<b>(528,188)</b>	(225,414)
– Discontinued operation		<b>(1,368)</b>	(122,969)
<b>Total comprehensive expense for the period/year</b>		<b>(529,556)</b>	(348,383)
		<b>RMB cents</b>	RMB cents
Loss per share from continuing operations	16		
Basic		<b>(5.01)</b>	(1.97)
Diluted		<b>N/A</b>	N/A
Loss per share from continuing and discontinued operations	16		
Basic		<b>(5.02)</b>	(3.09)
Diluted		<b>N/A</b>	N/A

# Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	17	95	1,011
Right-of-use assets	18	46,221	55,208
Plantation forest assets	19	30,140	514,500
Goodwill	20	–	–
Other intangible assets	21	–	–
Deferred tax assets	32	–	250
		<b>76,456</b>	570,969
<b>Current assets</b>			
Inventories	22	–	1,190
Trade and other receivables	23	6,352	8,457
Loans receivable	24	–	–
Deposits and prepayments	25	2,279	4,709
Bank balances and cash	26	1,819	3,181
		<b>10,450</b>	17,537
<b>Current liabilities</b>			
Trade and other payables	27	57,350	22,904
Promissory notes payable	28	52,027	52,567
Corporate bonds payable	29	197,271	98,015
Lease liabilities	30	133	3,214
Contingent consideration payable	31	–	–
Income tax payable		257	266
		<b>307,038</b>	176,966
<b>Net current liabilities</b>		<b>(296,588)</b>	(159,429)
<b>Total assets less current liabilities</b>		<b>(220,132)</b>	411,540

# Consolidated Statement of Financial Position (continued)

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Non-current liabilities			
Corporate bonds payable	29	57,187	155,568
Lease liabilities	30	–	3,735
		57,187	159,303
Net (liabilities)/assets		(277,319)	252,237
Capital and reserves			
Share capital	33	19,016	19,016
Reserves		(296,335)	233,221
(Total deficit on equity)/total equity		(277,319)	252,237

The consolidated financial statements on pages 61 to 168 were approved and authorised for issue by the board of directors on 18 January 2023 and are signed on its behalf by:

**Professor Fei Phillip**  
*Director*

**Wang Yibin**  
*Director*

# Consolidated Statement of Changes in Equity

For the eighteen months ended 30 June 2021

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Other reserves RMB'000 (Note)	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	19,016	807,536	(6,067)	18,038	(237,903)	600,620
Loss for the year	-	-	-	-	(340,484)	(340,484)
Other comprehensive expense for the year	-	-	(7,899)	-	-	(7,899)
Total comprehensive expense for the year	-	-	(7,899)	-	(340,484)	(348,383)
At 31 December 2019 and 1 January 2020	19,016	807,536	(13,966)	18,038	(578,387)	252,237
Loss for the period	-	-	-	-	(553,630)	(553,630)
Other comprehensive income for the period	-	-	24,074	-	-	24,074
Total comprehensive income/ (expense) for the period	-	-	24,074	-	(553,630)	(529,556)
At 30 June 2021	<b>19,016</b>	<b>807,536</b>	<b>10,108</b>	<b>18,038</b>	<b>(1,132,017)</b>	<b>(277,319)</b>

Note:

Other reserves at 30 June 2021 and 31 December 2019 comprise the following:

- Merger reserve arising from common control combination for entity acquired in December 2010;
- Surplus from the share capital of the subsidiaries, acquired pursuant to the group reorganisation over acquisition consideration; and
- Difference between the nominal value of the shares of a subsidiary, acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

# Consolidated Statement of Cash Flows

For the eighteen months ended 30 June 2021

	Notes	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
<b>Operating activities</b>			
Loss for the period/year			
– From continuing operations		(552,262)	(217,515)
– From discontinued operation		(1,368)	(122,969)
		<b>(553,630)</b>	<b>(340,484)</b>
Adjustments for:			
Income tax expense recognised in profit or loss		250	192
Finance costs		33,783	23,042
Net loss on change in fair value less costs to sell of plantation forest assets		484,360	50,874
Depreciation of property, plant and equipment		197	219
Depreciation of right-of-use assets		5,711	3,269
Amortisation of other intangible assets		–	4
Harvested timber transferred from plantation forest assets to cost of inventories sold		–	9,026
Impairment losses recognised in respect of:			
– trade receivables		7,201	61,550
– loans receivable		–	126,907
– other receivables		78	93,000
Loss on disposal of property, plant and equipment		53	13
Loss on disposal of other intangible assets		–	78
Bank interest income		(3)	(3)
Gain on disposal of a subsidiary	37	(494)	–
Gain on disposal of right-of-use assets		(58)	(14)
Reversal of impairment losses recognised in respect of trade receivables		(265)	–
Exchange differences		(806)	–
Operating cash flows before movements in working capital		<b>(23,623)</b>	27,673
Decrease/(increase) in inventories		1,155	(94)
Increase in loans receivable		–	(2,307)
Increase in trade and other receivables		(4,934)	(35,162)
Decrease/(increase) in deposits and prepayments		2,096	(201)
Increase in trade and other payables		25,465	115
Cash generated from/(used in) operations		<b>159</b>	(9,976)
Income taxes refunded		–	248
<b>Net cash generated from/(used in) operating activities</b>		<b>159</b>	<b>(9,728)</b>

# Consolidated Statement of Cash Flows (continued)

For the eighteen months ended 30 June 2021

	Notes	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
<b>Investing activities</b>			
Interests received		3	3
Acquisition of subsidiaries	36	–	371
Disposal of a subsidiary	37	(607)	–
Purchase of property, plant and equipment		–	(246)
Proceeds on disposal of property, plant and equipment		–	155
<b>Net cash (used in)/generated from investing activities</b>		<b>(604)</b>	283
<b>Financing activities</b>			
Interest paid	38	(489)	(11,057)
Proceeds from issue of corporate bonds, net of issue expenses	38	5,400	28,958
Repayment of corporate bonds	38	(2,121)	(8,890)
Payment of lease liabilities	38	(3,667)	(1,883)
<b>Net cash (used in)/generated from financing activities</b>		<b>(877)</b>	7,128
<b>Net decrease in cash and cash equivalents</b>		<b>(1,322)</b>	(2,317)
<b>Cash and cash equivalents at beginning of the period/year</b>		<b>3,181</b>	7,387
Effect of foreign exchange rate changes		(40)	(1,889)
<b>Cash and cash equivalents at end of the period/year, represented by:</b>			
Bank balances and cash		1,819	3,181

# Notes to the Consolidated Financial Statements

For the eighteen months ended 30 June 2021

## 1. GENERAL INFORMATION

China Bozza Development Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The trading of shares of the Company has been suspended by the Stock Exchange from 4 October 2021 and remained suspended as at 18 January 2023, the date of approval of these consolidated financial statements.

The Company changed its English name from “China Agroforestry Low-Carbon Holdings Limited” to “China Bozza Development Holdings Limited” and its Chinese name from “中國農林低碳控股有限公司” to “中國寶沙發展控股有限公司”, both of which are effective from 5 March 2020.

The addresses of the registered office and the principal place of business are Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Unit 12, 12th Floor, Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in forestry management, provision of services in relation to management, leasing, sale and installation of container houses and investment holding.

The Company’s functional currency is Hong Kong dollars (“**HK\$**”) while that for the major subsidiaries in the People’s Republic of China (the “**PRC**”) is Renminbi (“**RMB**”). As the operations of the Group are mainly carried out in the PRC, the directors of the Company consider it appropriate to present the consolidated financial statements in RMB.

### Appointment of the joint provisional liquidators for restructuring purpose only

To facilitate the Company’s financial restructuring, on 11 May 2021, Mr. Osmun Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd., were appointed as joint provisional liquidators (“**JPLs**”) of the Company. Details of the JPLs are set out in the Company’s announcement dated 11 May 2021.

### Change of accounting period

During the current financial period, the reporting period end date of the Company was changed from 31 December to 30 June. The Group considered that the change of financial year end date to 30 June would (i) avoid competition of resources with other listed companies with regard to results announcement and interim/annual reports-related external services under the peak reporting season in the market; and (ii) remove the uncertainty from the variation in the dates of the Chinese New Year Holiday which put pressure on the workflow, as set out in the announcement of the Company dated 10 December 2020. Accordingly, the consolidated financial statements for the current period cover the eighteen-month period ended 30 June 2021. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the year ended 31 December 2019 and therefore may not be comparable with amounts shown for the current eighteen-month period.

### Restatement of comparative information for the prior year ended 31 December 2019

As set out in note 13, the Group ceased its money lending business during the eighteen-month period ended 30 June 2021. Accordingly, the results of the Group’s money lending business for the current period is presented as discontinued operation in the consolidated statement of profit or loss and other comprehensive income and related notes, and comparative information regarding the discontinued operation for the prior year ended 31 December 2019 has been restated to conform with the current period’s presentation.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

### Going concern

Notwithstanding that (a) the Group incurred net loss of approximately RMB553,630,000 for the eighteen-month period ended 30 June 2021 and, as of that date, the Group’s net liabilities amounted to approximately RMB277,319,000; and (b) the current liabilities of the Group at 30 June 2021 exceed its current assets at that date by approximately RMB296,588,000, and the Group’s current liabilities at that date includes promissory notes payable, corporate bonds payable and accrued interests on these payables with the carrying amounts of approximately RMB52,027,000, RMB197,271,000 and RMB12,392,000 respectively, the directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

- (i) On 23 August 2022, the Company entered into an agreement (the “**Funding Agreement**”) with Zhonggangtong International Holding Group Co., Limited (“**Zhonggangtong**”), an independent third party, pursuant to which Zhonggangtong has agreed to provide a credit facility for a total sum of up to HK\$26 million (the “**Loan**”) to the Company to meet the Group’s liabilities and obligations. The Loan drawn down by the Company is unsecured, carries interest at 3% per annum and is repayable on the earliest of the following:– (i) thirty-six (36) months after the date of the Funding Agreement; (ii) the completion of the issue of shares by the Company for a consideration of not less than HK\$60 million; (iii) reject or objections by the Stock Exchange or the Securities and Futures Commission of Hong Kong (the “**SFC**”) of the transactions contemplated under the proposal to the debt restructuring plan; (iv) immediately upon termination of the appointment of the JPLs; or (v) the occurrence of an event of default under the Funding Agreement. Up to the date of approval of these consolidated financial statements, the credit facility to the extent of HK\$15 million has been drawn down by the Company. Details regarding the Funding Agreement are set out in the announcements dated 26 August 2022 and 1 September 2022 made by the Company;
- (ii) On 30 December 2022, the Company and the JPLs entered into a restructuring framework agreement (the “**Restructuring Framework Agreement**”) with Zhonggangtong, pursuant to which the Company will implement a proposed restructuring of the debts and liabilities, capital structure and share capital of the Company (the “**Proposed Restructuring**”), including (i) subscription by Zhonggangtong of new shares of the Company (as defined in the Restructuring Framework Agreement) for aggregate subscription price of HK\$60 million; and (ii) restructuring of the Group’s debts through the Creditors Scheme (as defined in the Restructuring Framework Agreement) involving (a) the Creditors’ Scheme Cash Consideration; (b) the Scheme Shares Issue and; (c) the Promissory Notes Issue. The implementation of the Restructuring Framework Agreement is subject to various conditions to be fulfilled and approvals from government and regulatory bodies including the SFC and the Stock Exchange, and the shareholders and creditors of the Company. Details regarding the Restructuring Framework Agreement are set out in the announcement dated 30 December 2022 made by the Company; and

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### Going concern (Continued)

- (iii) Management of the Group will closely monitor the financial position of the Group and the directors of the Company will make every effort (a) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (b) to negotiate with the holders of the promissory notes payable, and the lenders of the corporate bonds payable for the extension of repayments of these notes and bonds to a date when the Group has adequate working capital to serve the repayments.

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements 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 restate the values of assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

### Amendments to HKFRSs that are mandatorily effective for the current period

In the current 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 for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs effective in the current period had no material impact on the Group's financial position and financial performance for the current period and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### Amendments to HKFRSs that are mandatorily effective for the current period (Continued)

#### *Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current period. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the consolidated financial statements.

#### *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current period. The amendments clarify that while business usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets under acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

#### *Impacts on application of Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform*

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The application of the amendments had no impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>5</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 June 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>6</sup> Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs that are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and all the applicable disclosures as required by the Hong Kong Companies Ordinance. In addition, the consolidated financial statements have been prepared in accordance with applicable disclosure provisions of the Listing Rules.

The consolidated financial statements have been prepared on the historical cost convention, except for certain assets, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKFRS 16/HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use for the purposes of impairment assessment in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies adopted by the Group are set out below:

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date when the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income/expenses are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income/expenses of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of consolidation (Continued)

#### *Changes in the Group's ownership interests in existing subsidiaries*

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income/expenses in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the acquisition, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

### Investments in subsidiaries

Investment in a subsidiary is accounted for in the Company’s financial statements at cost less any identified impairment loss. Cost includes directly attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

### Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

### *Contracts with multiple performance obligations (including allocation of transaction price)*

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance, obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

### *Output method*

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

### Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases

#### *Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### *The Group as a lessee*

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

##### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

##### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *Right-of-use assets (Continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### *The Group as a lessee (Continued)*

##### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### *The Group as a lessor*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and such costs are recognised as an expense on a straight line basis.

Rental income which is derived from the Group's ordinary course of business are presented as revenue.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, and a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Plantation forest assets

Plantation forest assets predominately consist of standing trees in a forest on which the Group undertakes agricultural activities to transform the standing trees into agricultural produce for sale. The forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Plantation forest assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in the fair value less costs to sell of the plantation forest assets is recognised in profit or loss in the period in which it arises.

If an active market exists for standing trees, reference to the distribution of the forest area by age-class, land tenure, forest health, expected growth and yield of the tree crops are adopted for determining the fair value of these assets. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

At the time the tree is harvested, the agricultural produce is measured at its fair value less costs to sell at the point of harvest. It is taken out of the plantation forest assets (non-current assets) and accounted for under inventories (current assets).

### Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of assets, are recognised in profit or loss when the asset is derecognised.

### Impairment losses on tangible and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

### *Financial assets*

#### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Classification and subsequent measurement of financial assets (Continued)*

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

##### *Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including loans receivable, trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans receivables are assessed for ECLs on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity (Continued)*

##### *Financial liabilities*

Financial liabilities (including trade and other payables, promissory notes payable and corporate bonds payable) are subsequently measured at amortised cost, using the effective interest method.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

##### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive decision maker. The chief executive decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairman of the board that make strategic decisions.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### *Approval of logging permits for the plantation forest assets*

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Critical judgments in applying accounting policies (Continued)

#### *Approval of logging permits for the plantation forest assets (Continued)*

Up to the date of approval of the consolidated financial statements, certain permits for logging of the Group's plantation forest assets have been granted by the PRC government authorities for years 2022 and 2023 but the permits for logging of the Group's plantation forest assets for 2024 onwards have not been granted by the PRC government authorities, as set out in note 19(f). In the opinion of the directors of the Company, the Group has legally obtained ownership title to such assets, is qualified to make the relevant application of the logging permits which is expected to be granted by the PRC government shortly after application.

### Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### (a) *Fair value of plantation forest assets*

The Group's plantation forest assets are stated at fair value less costs to sell. In determining the fair value of the plantation forest assets, the present value approach has been adopted which requires a number of key assumptions and estimates to be made such as the successful application of logging permits, discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the assumptions and estimates may affect the fair value of the plantation forest assets significantly. Management reviews the assumptions and estimates periodically to identify any significant change in the fair value less costs to sell of the plantation forest assets. The carrying amount of the Group's plantation forest assets as at 30 June 2021 is approximately RMB30,140,000 (31 December 2019: RMB514,500,000).

#### (b) *Impairment of property, plant and equipment and right-of-use assets*

Management of the Group determines on a regular basis whether the property, plant and equipment and right-of-use assets are impaired. Impairment losses for property, plant and equipment and right-of-use assets are recognised when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on higher of fair value less costs of disposal and value in use. The value in use calculations require the use of estimates such as the future revenue and discount rates. As at 30 June 2021, the carrying amount of property, plant and equipment is approximately RMB95,000 (31 December 2019: RMB1,011,000) and the carrying amount of right-of-use assets is approximately RMB46,221,000 (31 December 2019: RMB55,208,000). No impairment loss of property, plant and equipment and right-of-use assets was recognised in respect of both of the period/year presented.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty (Continued)

#### (c) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation charges for the future years.

#### (d) *Amortisation of intangible assets*

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives involves management's estimation. The Group assesses annually the useful lives of the intangible assets and if the expectation differs from the original estimate, each a difference may impact the amortisation charges for the future years.

#### (e) *Impairment of receivables*

The Group applies the simplified approach to provide for expected credit loss in respect of trade and other receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates (taking into consideration forward-looking information that is receivable and supportable available without undue costs or effort). At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, the Group's receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

The information about the expected credit loss and the Group's receivables are disclosed in note 23.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 6. REVENUE

An analysis of the Group's revenue is as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Continuing operations:		
Revenue from sales of goods	–	36,826
Sales and installation of container houses	25,188	7,564
Income from provision of services	–	3,083
Rental income from container houses	460	438
Revenue from continuing operations	25,648	47,911
Discontinued operation:		
Interest income from money lending business	–	6,343
Revenue from discontinued operation	–	6,343
Total revenue	25,648	54,254

Revenue from sales of goods and sales and installation of container houses is recognised at point in time when the control of the goods and container houses are transferred to customers.

Revenue from provision of services in relation to management and leasing of container houses is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION

Information reported to the chairman of the Board (being the chief executive decision maker) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods and services delivered. As set out in note 13, the Group's money lending business was classified as discontinued operation during the period and accordingly, the comparative segment information has been restated to conform with the current period's presentation.

The Group's reportable operating segments are analysed as follows:

Continuing operations:

- (i) Forestry Business – plantation, logging and sale of timber related products; and
- (ii) Container Houses Business – provision of services in relation to management, leasing, sale and installation of container houses and related business.

Discontinued operation:

- (i) Money Lending Business – provision of money lending services.

Information regarding the above segments for the eighteen months ended 30 June 2021 and the year ended 31 December 2019 is presented below.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the eighteen months ended 30 June 2021

	Continuing operations			Discontinued operation	Total RMB'000
	Forestry Business RMB'000	Container Houses Business RMB'000	Sub total RMB'000	Money Lending Business RMB'000	
Segment revenue	-	25,648	25,648	-	25,648
Segment loss	(490,687)*	(5,900)#	(496,587)	(1,118)^	(497,705)
Bank interest income			3	-	3
Other unallocated income			3,752	-	3,752
Impairment loss on other receivables			(78)	-	(78)
Other unallocated expenses			(25,569)	-	(25,569)
Finance costs			(33,783)	-	(33,783)
Loss before tax			(552,262)	(1,118)	(553,380)
Income tax expense			-	(250)	(250)
Loss for the period			(552,262)	(1,368)	(553,630)

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Segment revenues and results (Continued)

For the year ended 31 December 2019

	Continuing operations			Discontinued operation	Total RMB'000
	Forestry Business RMB'000	Container Houses Business RMB'000	Sub total RMB'000 (restated)	Money Lending Business RMB'000 (restated)	
Segment revenue	36,826	11,085	47,911	6,343	54,254
Segment loss	(83,901)*	(4,628)#	(88,529)	(122,739)^	(211,268)
Bank interest income			3	-	3
Other unallocated income			2,440	-	2,440
Impairment loss on other receivables			(93,000)	-	(93,000)
Other unallocated expenses			(15,425)	-	(15,425)
Finance costs			(23,004)	(38)	(23,042)
Loss before tax			(217,515)	(122,777)	(340,292)
Income tax expense			-	(192)	(192)
Loss for the year			(217,515)	(122,969)	(340,484)

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Segment revenues and results (Continued)

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Continuing operations:		
* Segment (loss)/profit of Forestry Business before change in fair value less costs to sell of plantation forest assets and impairment	(6,327)	24,308
Net loss on change in fair value less costs to sell of plantation forest assets	(484,360)	(50,874)
Impairment loss on trade receivables	–	(57,335)
<b>Segment loss of Forestry Business</b>	<b>(490,687)</b>	<b>(83,901)</b>
# Segment profit/(loss) of Container Houses Business before impairment	1,301	(413)
Impairment loss on trade receivables	(7,201)	(4,215)
<b>Segment loss of Container Houses Business</b>	<b>(5,900)</b>	<b>(4,628)</b>
Discontinued operation:		
^ Segment (loss)/profit of Money Lending Business before impairment	(1,118)	4,168
Impairment loss on loans receivable	–	(126,907)
<b>Segment loss of Money Lending Business</b>	<b>(1,118)</b>	<b>(122,739)</b>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (year ended 31 December 2019: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represent the profit/loss earned from each segment without allocation of central administrative costs including directors' salaries and other corporate administrative costs, bank interest and sundry income, gain on disposal of a subsidiary, impairment loss on other receivables and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Segment assets		
Forestry Business	76,433	564,846
Container Houses Business	6,217	9,144
Total segment assets	82,650	573,990
Assets related to a discontinued operation	–	252
Unallocated assets	4,256	14,264
Consolidated assets	86,906	588,506
Segment liabilities		
Forestry Business	6,666	6,243
Container Houses Business	5,097	3,630
Total segment liabilities	11,763	9,873
Liabilities related to a discontinued operation	728	509
Unallocated liabilities	351,734	325,887
Consolidated liabilities	364,225	336,269

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash and other assets for corporate use including certain property, plant and equipment, other receivables and deposits and prepayments. Assets used jointly by segments are allocated on the basis of the revenue earned by individual segments; and
- all liabilities are allocated to operating segments other than promissory notes payable, corporate bonds payable, contingent consideration payable, income tax payable, deferred tax liabilities and certain other payables. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Other segment information

For the eighteen months ended 30 June 2021

	Continuing operations			Discontinued operation		Total RMB'000
	Forestry Business RMB'000	Container Houses Business RMB'000	Unallocated RMB'000	Sub total RMB'000	Money Lending Business RMB'000	
<b>Amounts included in the measure of segment loss/profit or segment assets</b>						
Additions to non-current assets (Note)	-	-	-	-	-	-
Depreciation of property, plant and equipment	-	105	90	195	2	197
Depreciation of right-of-use assets	4,008	-	1,703	5,711	-	5,711
Amortisation of other intangible assets	-	-	-	-	-	-
Loss on disposal of property, plant and equipment	-	53	-	53	-	53
Loss on disposal of other intangible assets	-	-	-	-	-	-
Gain on disposal of right-of-use assets	-	-	(58)	(58)	-	(58)
Net loss on change in fair value less costs to sell of plantation forest assets	484,360	-	-	484,360	-	484,360
Impairment losses recognised in respect of:						
- trade receivables	-	7,201	-	7,201	-	7,201
- other receivables	-	-	78	78	-	78
- loans receivable	-	-	-	-	-	-

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Other segment information (Continued)

For the year ended 31 December 2019

	Continuing operations				Discontinued operation	
	Forestry Business RMB'000	Container Houses Business RMB'000	Unallocated RMB'000	Sub total RMB'000	Money Lending Business RMB'000	Total RMB'000

#### Amounts included in the measure of segment loss/profit or segment assets

Additions to non-current assets (Note)	–	159	87	246	–	246
Depreciation of property, plant and equipment	–	155	61	216	3	219
Depreciation of right-of-use assets	1,564	–	1,198	2,762	507	3,269
Amortisation of other intangible assets	–	–	4	4	–	4
Loss on disposal of property, plant and equipment	–	13	–	13	–	13
Loss on disposal of other intangible assets	–	–	78	78	–	78
Gain on disposal of right-of-use assets	–	–	–	–	(14)	(14)
Net loss on change in fair value less costs to sell of plantation forest assets	50,874	–	–	50,874	–	50,874
Impairment losses recognised in respect of:						
– trade receivables	57,335	4,215	–	61,550	–	61,550
– other receivables	–	–	93,000	93,000	–	93,000
– loans receivable	–	–	–	–	126,907	126,907

Note: The additions to non-current assets exclude the financial assets.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as below:

For the eighteen months ended 30 June 2021			
	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000
PRC	25,648	–	25,648
Hong Kong	–	–	–
	25,648	–	25,648

For the year ended 31 December 2019			
	Continuing operations RMB'000	Discontinued operation RMB'000	Total RMB'000
PRC	47,911	–	47,911
Hong Kong	–	6,343	6,343
	47,911	6,343	54,254

Information about the Group's assets and liabilities based on the geographical location of the assets is not presented as the Group's assets and liabilities (excluding loans receivable) are substantially located in the PRC.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 7. SEGMENT INFORMATION (Continued)

### Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

		For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Customer A	Container House Business	10,541	N/A
Customer B	Container House Business	5,097	N/A
Customer C	Container House Business	3,849	N/A
Customer D	Forestry Business	N/A	36,826

The revenue from the Customer D for the eighteen months ended 30 June 2021 did not contribute over 10% of the Group's total revenue for that period.

The revenue from each of the Customers A, B and C for the year ended 31 December 2019 did not contribute over 10% of the Group's total revenue for that year.

## 8. INVESTMENT AND OTHER INCOME

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000 (restated, note 1)
Continuing operations:		
Bank interest income	3	3
Sundry income	3,752	2,440
	3,755	2,443

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 9. OTHER LOSSES, NET

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000 (restated, note 1)
Continuing operations:		
Impairment losses recognised in respect of:		
– trade receivables (Note 23)	(7,201)	(61,550)
– other receivables (Note 23)	(78)	(93,000)
Net loss on change in fair value less costs to sell of plantation forest assets (Note 19)	(484,360)	(50,874)
Loss on disposal of property, plant and equipment	(53)	(13)
Loss on disposal of other intangible assets	–	(78)
Exchange (losses)/gains, net	(5)	1,893
Gain on disposal of a subsidiary (Note 37)	494	–
Gain on disposal of right-of-use assets	58	–
Reversal of impairment losses on trade receivables (Note 23)	265	–
<b>Other losses, net from continuing operations</b>	<b>(490,880)</b>	<b>(203,622)</b>
Discontinued operation:		
Impairment losses recognised in respect of loans receivable (Note 24)	–	(126,907)
Gain on disposal of right-of-use assets	–	14
<b>Other losses, net from discontinued operation</b>	<b>–</b>	<b>(126,893)</b>
<b>Total other losses, net</b>	<b>(490,880)</b>	<b>(330,515)</b>

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 10. FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000 (restated)	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000 (restated)	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Interest on:						
- promissory notes payable (Note 28)	6,847	6,777	-	-	6,847	6,777
- corporate bonds payable (Note 29)	26,751	16,143	-	-	26,751	16,143
- lease liabilities (Note 38)	185	84	-	38	185	122
	<b>33,783</b>	23,004	-	38	<b>33,783</b>	23,042

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 11. INCOME TAX EXPENSE

	Continuing operations		Discontinued operation		Total	
	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Current tax charge						
Hong Kong Profits Tax	-	-	-	192	-	192
PRC Enterprise Income Tax	-	-	-	-	-	-
Current tax charge, net	-	-	-	192	-	192
Deferred tax charge (Note 32)	-	-	250	-	250	-
Income tax expense	-	-	250	192	250	192

A group entity is chargeable to Hong Kong Profits Tax under the two-tiered profits tax rates regime whereby, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are chargeable to Hong Kong Profits Tax at the tax rate of 16.5%. No provision for Hong Kong Profits Tax of the current period has been made in the consolidated financial statements as the Group has no assessable profit subject to tax in respect of the current period.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Pursuant to the Implementation Regulation of the EIT Law, the Group's PRC subsidiaries which are engaged in forestry business are entitled to full exemption from PRC Enterprise Income Tax in respect of both of the period/year presented.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 11. INCOME TAX EXPENSE (Continued)

The income tax expense for the period/year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000 (restated, note 1)
Loss before tax from:		
– Continuing operations	(552,262)	(217,515)
– Discontinued operation	(1,118)	(122,777)
	<b>(553,380)</b>	<b>(340,292)</b>
Tax credit at applicable income tax rate	(11,549)	(43,123)
Tax effect of expenses not deductible for tax purpose	13,751	43,475
Tax effect of income not taxable for tax purpose	(1,936)	(989)
Tax effect of tax losses not recognised	69	1,009
Tax effect of reversal of deductible temporary differences not recognised in prior years	250	–
Others	(335)	(180)
Income tax expense for the period/year	<b>250</b>	<b>192</b>

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 12. LOSS FOR THE PERIOD/YEAR

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Continuing operations:		
Loss for the period/year has been arrived at after charging:		
Directors' emoluments	5,338	1,896
Other staff costs	8,198	7,850
<b>Total staff costs</b>	<b>13,536</b>	<b>9,746</b>
Auditors' remuneration		
– audit services	800	918
– non-audit services	348	286
Cost of inventories recognised and timber harvested	23,208	15,447
Depreciation charge in respect of:		
– property, plant and equipment	195	216
– right-of-use assets	5,711	2,762
Amortisation of other intangible assets	–	4
Short-term lease expenses	123	1,332
Discontinued operation:		
Loss for the period/year has been arrived at after charging:		
Directors' emoluments	209	317
Other staff costs	163	269
<b>Total staff costs</b>	<b>372</b>	<b>586</b>
Auditors' remuneration		
– audit services	–	13
– non-audit services	–	–
Cost of inventories recognised and timber harvested	–	–
Depreciation charge in respect of:		
– property, plant and equipment	2	3
– right-of-use assets	–	507
Amortisation of other intangible assets	–	–
Short-term lease expenses	–	–

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 13. DISCONTINUED OPERATION

During the eighteen-month period ended 30 June 2021, the Group ceased its money lending business which was regarded discontinued operation in the consolidated financial statements.

The results of the Group's discontinued operation are analysed as below:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Revenue (Note 6)	–	6,343
Other losses, net (Note 9)	–	(126,893)
Administrative expenses	(1,118)	(2,189)
Finance costs (Note 10)	–	(38)
Loss before tax	(1,118)	(122,777)
Income tax expense (Note 11)	(250)	(192)
Loss for the period/year	(1,368)	(122,969)
Operating cash outflows	(37)	(202)
Investing cash outflows	–	–
Financing cash outflows	–	–
Total cash outflows	(37)	(202)

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

### (a) Directors and chief executive

The emoluments paid or payable to each of the directors and chief executive were as follows:

For the eighteen months ended 30 June 2021

	Fees RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Professor Fei Phillip	939	-	-	-	939
Mr. Li Wenjun <sup>1</sup>	783	-	-	14	797
Mr. Wang Yue	365	-	-	-	365
Mr. Pang Kin Lung <sup>2</sup>	914	-	-	8	922
Mr. Ng Kwok Hung <sup>3</sup>	914	-	-	8	922
Mr. Wong Hiu Tung <sup>4</sup>	198	-	-	6	204
Ms. Feng Jiamin <sup>5</sup>	438	-	-	13	451
Ms. Lu Wei <sup>6</sup>	438	-	-	13	451
Non-executive directors:					
Mr. Gu Sotong <sup>7</sup>	-	-	-	-	-
Ms. Wong Lee Ni <sup>8</sup>	-	-	-	-	-
Independent non-executive directors:					
Mr. Liu Zhaoxiang	48	-	-	-	48
Mr. Huang Wenhong <sup>9</sup>	-	-	-	-	-
Dr. Tse Kwok Sang <sup>10</sup>	118	-	-	-	118
Ms. Tian Guangmei <sup>11</sup>	306	-	-	-	306
Mr. Liang Guoxin <sup>12</sup>	24	-	-	-	24
<b>Total</b>	<b>5,485</b>	<b>-</b>	<b>-</b>	<b>62</b>	<b>5,547</b>

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

### (a) Directors and chief executive (Continued)

For the year ended 31 December 2019

	Fees RMB'000	Salaries and other allowances RMB'000	Share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Executive directors:					
Professor Fei Phillip	396	–	–	16	412
Mr. Li Wenjun <sup>1</sup>	264	–	–	8	272
Mr. Wang Yue	528	–	–	–	528
Mr. Wong Hiu Tung <sup>4</sup>	239	–	–	7	246
Ms. Feng Jiamin <sup>5</sup>	193	–	–	6	199
Ms. Lu Wei <sup>6</sup>	190	–	–	6	196
Mr. Lei Zuliang <sup>13</sup>	49	–	–	–	49
Non-executive director:					
Professor Liu Zhikun <sup>14</sup>	21	–	–	–	21
Independent non-executive directors:					
Mr. Liu Zhaoxiang	32	–	–	–	32
Ms. Tian Guangmei <sup>11</sup>	205	–	–	–	205
Mr. Liang Guoxin <sup>12</sup>	53	–	–	–	53
<b>Total</b>	<b>2,170</b>	<b>–</b>	<b>–</b>	<b>43</b>	<b>2,213</b>

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

### (a) Directors and chief executive (Continued)

- <sup>1</sup> Mr. Li Wenjun was appointed as an executive director with effect from 1 July 2019.
- <sup>2</sup> Mr. Pang Kin Lung was appointed as an executive director with effect from 30 November 2020 and resigned with effect from 31 January 2022.
- <sup>3</sup> Mr. Ng Kwok Hung was appointed as an executive director with effect from 30 November 2020 and resigned with effect from 31 January 2022.
- <sup>4</sup> Mr. Wong Hiu Tung was appointed as an executive director with effect from 19 July 2019 and resigned with effect from 15 May 2020.
- <sup>5</sup> Ms. Feng Jiamin was appointed as an executive director with effect from 20 August 2019 and resigned with effect from 2 November 2020.
- <sup>6</sup> Ms. Lu Wei was appointed as an executive director with effect from 22 August 2019 and resigned with effect from 2 November 2020.
- <sup>7</sup> Mr. Gu Sotong was appointed as a non-executive director with effect from 15 December 2020.
- <sup>8</sup> Ms. Wong Lee Ni was appointed as a non-executive director with effect from 8 March 2021 and resigned with effect from 1 June 2022.
- <sup>9</sup> Mr. Huang Wenhong was appointed as an independent non-executive director with effect from 23 June 2021 and resigned with effect from 30 June 2022.
- <sup>10</sup> Dr. Tse Kwok Sang was appointed as an independent non-executive director with effect from 8 December 2020 and resigned with effect from 31 January 2022.
- <sup>11</sup> Ms. Tian Guangmei was resigned as an independent non-executive director with effect from 1 June 2022.
- <sup>12</sup> Mr. Liang Guoxin was resigned as an independent non-executive director with effect from 15 June 2020.
- <sup>13</sup> Mr. Lei Zuliang resigned as an executive director with effect from 1 February 2019.
- <sup>14</sup> Professor Liu Zhikun resigned as a non-executive director with effect from 22 August 2019.

There was no arrangement under which the directors of the Company waived or agreed to waive any remuneration during the both of period/year presented.

During the eighteen months ended 30 June 2021 and the year ended 31 December 2019, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

### (b) Employees

Of the five individuals with the highest emoluments in the Group during the period/year, four (31 December 2019: two) were directors of the Company whose emoluments are included in the above disclosures. The emolument of the remaining one (31 December 2019: three) individual was as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Salaries and other allowances	628	1,827
Retirement benefits scheme contributions	16	33
	644	1,860

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	For the eighteen months ended 30 June 2021	For the year ended 31 December 2019
Nil to HK\$1,000,000	1	3

During the eighteen months ended 30 June 2021 and the year ended 31 December 2019, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals waived any emolument during the eighteen months ended 30 June 2021 and the year ended 31 December 2019.

## 15. DIVIDEND

No dividend was paid, declared or proposed during the eighteen months ended 30 June 2021 (31 December 2019: Nil), nor had any dividend been proposed since the end of the reporting period (31 December 2019: Nil).

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 16. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the following data:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
<b>Loss</b>		
Loss for the purpose of basic loss per share from continuing operations		
Loss for the period/year from continuing operations attributable to owners of the Company	(552,262)	(217,515)
Loss for the purpose of basic loss per share from continuing and discontinued operations		
Loss for the period/year attributable to owners of the Company	(553,630)	(340,484)
	For the eighteen months ended 30 June 2021 '000	For the year ended 31 December 2019 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares in issue during the period/year for the purpose of basic loss per share	11,024,220	11,024,220

Diluted loss per share is not presented because there were no potentially dilutive ordinary shares in issue for both of the period/year presented.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 17. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fixtures RMB'000	Leasehold improvement RMB'000	Container houses RMB'000	Total RMB'000
<b>COST</b>				
At 1 January 2019	416	887	975	2,278
Acquisition of subsidiaries	134	–	–	134
Additions	87	–	159	246
Disposals	–	–	(192)	(192)
Exchange realignment	3	20	–	23
At 31 December 2019 and 1 January 2020	<b>640</b>	<b>907</b>	<b>942</b>	<b>2,489</b>
Disposals	–	–	(942)	(942)
Exchange realignment	(10)	(65)	–	(75)
At 30 June 2021	<b>630</b>	<b>842</b>	–	<b>1,472</b>
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2019	338	887	36	1,261
Depreciation provided for the year	108	–	111	219
Eliminated on disposals	–	–	(24)	(24)
Exchange realignment	2	20	–	22
At 31 December 2019 and 1 January 2020	<b>448</b>	<b>907</b>	<b>123</b>	<b>1,478</b>
Depreciation provided for the period	95	–	102	197
Eliminated on disposals	–	–	(225)	(225)
Exchange realignment	(8)	(65)	–	(73)
At 30 June 2021	<b>535</b>	<b>842</b>	–	<b>1,377</b>
<b>CARRYING AMOUNTS</b>				
At 30 June 2021	<b>95</b>	–	–	<b>95</b>
At 31 December 2019	192	–	819	1,011

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account their estimated residual value. The estimated useful lives of the property, plant and equipment are as follows:

Office equipment, furniture and fixtures	2–10 years
Leasehold improvement	30 years or over the relevant lease, whichever is shorter
Container houses	10–13 years

## 18. RIGHT-OF-USE ASSETS

	Leased land RMB'000 (Note a)	Leased properties RMB'000 (Note b)	Total RMB'000
Carrying amount at 1 January 2019	49,754	1,666	51,420
Additions	–	8,130	8,130
Depreciation provided for the year	(1,463)	(1,806)	(3,269)
Disposals	–	(1,159)	(1,159)
Exchange realignment	–	86	86
Carrying amount at 31 December 2019 and 1 January 2020	<b>48,291</b>	<b>6,917</b>	<b>55,208</b>
Depreciation provided for the period	<b>(2,195)</b>	<b>(3,516)</b>	<b>(5,711)</b>
Disposals	–	<b>(3,134)</b>	<b>(3,134)</b>
Exchange realignment	–	<b>(142)</b>	<b>(142)</b>
Carrying amount at 30 June 2021	<b>46,096</b>	<b>125</b>	<b>46,221</b>

Notes:

- (a) The leased land represents land located in Sichuan, the PRC that are allocated as land portion from the consideration in respect of the forests on such land acquired by the Group. Usage of the land is regulated by the implementation regulations of PRC forest law issued by the State Council of the PRC. Such lands is amortised over the terms of relevant land lease ranging from 32 to 38 years (31 December 2019: 33 to 39 years).
- (b) The Group leases office under non-cancellable operating lease agreement with lease terms between 2 and 3 years. The Group had rented an office space in Nanshan district in Shenzhen of the PRC with lease terms from 1 December 2019 to 31 July 2021.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 19. PLANTATION FOREST ASSETS

	Hengchang Forest RMB'000 (Note a)	Kunlin Forest RMB'000 (Note b)	Senbo Forest RMB'000 (Note c)	Ruixiang Forest RMB'000 (Note d)	Wantai Forest RMB'000 (Note e)	Total RMB'000
At 1 January 2019	189,000	55,300	63,100	141,000	126,000	574,400
Harvested timber transferred to cost of inventories sold	(1,818)	(1,341)	(1,468)	(2,057)	(2,342)	(9,026)
Changes in fair value less costs to sell (Note 9)	(38,182)	(659)	2,568	(8,943)	(5,658)	(50,874)
At 31 December 2019 and 1 January 2020	<b>149,000</b>	<b>53,300</b>	<b>64,200</b>	<b>130,000</b>	<b>118,000</b>	<b>514,500</b>
Harvested timber transferred to cost of inventories sold	-	-	-	-	-	-
Changes in fair value less costs to sell (Note 9)	(136,300)	(48,500)	(57,900)	(126,860)	(114,800)	(484,360)
At 30 June 2021	<b>12,700</b>	<b>4,800</b>	<b>6,300</b>	<b>3,140</b>	<b>3,200</b>	<b>30,140</b>

Notes:

(a) **Hengchang Forest**

On 28 May 2013, the Group acquired the entire equity interest in China Timbers Limited ("China Timbers") and its subsidiaries (collectively referred as to the "China Timbers Group") which are principally engaged in the operation and management of the forest in Jiange County, Sichuan Province, the PRC ("Hengchang Forest"). The Hengchang Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Hengchang Forest. During the period under review, no timber logs in respect of Hengchang Forest were harvested (year ended 31 December 2019: timber logs of approximately 3,065 cubic metres in respect of the Hengchang Forest were harvested and the fair value of the timber logs harvested amounted to RMB1,818,000, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold). As at 30 June 2021, the Hengchang Forest is estimated to comprise approximately 1,389 hectares (31 December 2019: 1,389 hectares) of cypress with no tree plantations aged 40 years or older.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 19. PLANTATION FOREST ASSETS (Continued)

### (b) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited (“**Exceed Target**”) and its subsidiaries (collectively referred to as the “**Exceed Target Group**”) which are principally engaged in the operation and management of the forest in Zhengxing Town, Jiange County, Sichuan Province, the PRC (“**Kunlin Forest**”). Jiange Kunlin Linye Company Limited was transferred from Exceed Target Group to China Timbers Group on 14 November 2018. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, no timber logs in respect of Kunlin Forest were harvested (year ended 31 December 2019: timber logs of approximately 1,631 cubic metres in respect of Kunlin Forest were harvested and the fair value of the timber logs harvested amounted to RMB1,341,000, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold). As at 30 June 2021, the Kunlin Forest is estimated to comprise of approximately 642 hectares (31 December 2019: 642 hectares) of cypress with no tree plantations aged 40 years or older.

### (c) Senbo Forest

On 11 October 2016, the Group acquired the entire equity interest in Huxiang International Holdings Limited (“**Huxiang**”) and its subsidiaries (collectively referred to as the “**Huxiang Group**”) which principally holds plantation forest assets in Yixing Town, Jiange County, Sichuan Province, the PRC (“**Senbo Forest**”). The Senbo Forest had a total leasehold land base of approximately 13,219 Chinese Mu (equivalent to approximately 881 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Senbo Forest. During the period under review, no timber logs in respect of Senbo Forest were harvested (year ended 31 December 2019: timber logs of approximately 2,141 cubic metres in respect of Senbo Forest were harvested and the fair value of the timber logs harvested amounted to RMB1,468,000, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold). As at 30 June 2021, the Senbo Forest is estimated to comprise of approximately 881 hectares (31 December 2019: 881 hectares) of cypress with approximately 169 hectares (31 December 2019: 171 hectares) of tree plantations aged 40 years or older.

### (d) Ruixiang Forest

On 6 June 2017, the Group acquired the entire equity interest in Garden Glaze Limited (“**Garden Glaze**”) and its subsidiaries (collectively referred to as the “**Garden Glaze Group**”) which principally holds plantation forest assets in Longyuanzhen, Houshixiang and Dianzixiang town, Jiange County of the Sichuan Province in the PRC (“**Ruixiang Forest**”). The Ruixiang Forest had a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately 2,044 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Ruixiang Forest. During the period under review, no timber logs in respect of Ruixiang Forest were harvested (year ended 31 December 2019: timber logs of approximately 3,135 cubic metres in respect of Ruixiang Forest were harvested and the fair value of the timber logs harvested amounted to RMB2,057,000, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold). As at 30 June 2021, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares (31 December 2019: 2,044 hectares) of cypress with approximately 9 hectares (31 December 2019: 9 hectares) of tree plantations with aged 40 years or older.

### (e) Wantai Forest

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge Limited (“**Today Bridge**”) and its subsidiaries (collectively referred to as the “**Today Bridge Group**”) which principally holds plantation forest assets in Kaifeng Town, Yingshui Village, Guangping Village, Zheba Village, Jiange County of the Sichuan Province in the PRC (“**Wantai Forest**”). The Wantai Forest had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately 2,854 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Wantai Forest. During the period under review, no timber logs in respect of Wantai Forest were harvested (year ended 31 December 2019: timber logs of approximately 4,758 cubic metres in respect of Wantai Forest were harvested and the fair value of the timbers logs harvested amounted to RMB2,342,000, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold). As at 30 June 2021, the Wantai Forest is estimated to comprise approximately 2,854 hectares (31 December 2019: 2,854 hectares) of cypress with no tree plantations with aged 40 years or older.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 19. PLANTATION FOREST ASSETS (Continued)

### (f) Valuation of Plantation Forest Assets

The Group's plantation forest assets are regarded as biological assets and are carried at 30 June 2021 at fair value less costs to sell, which were valued by Ascent Partners Valuation Service Limited ("**Ascent Partners**"), independent professional valuers. In view of the non-availability of market value for tree plantations in the PRC, the professional valuers have applied the present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at 16.69% (31 December 2019: 15.91%, 16.72%, 16.72%, 16.72% and 16.72%) for the Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest respectively, to arrive at the fair value of the plantation forest assets.

The principal valuation methodology and assumptions adopted are as follows:

*Applicable to all of Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest*

- The logging permit will be granted by the relevant government authorities.
- The forests are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishment following harvest, or of land not yet planted.
- The impact of any planned future activity of the business that may impact the pricing of the logs to be harvested from the forests is not taken into account.
- Costs have been derived from external sources and as determined by management. The costs are current average costs. No allowance has been made for cost improvements in future operations.
- The discount rates used in the valuation of the plantation forest assets are determined based on weighted average of cost of capital (WACC).
- The account receivable's period are 120 days.

*Applicable to Hengchang Forest*

- Cash flow projection is determined for a period of 31 years up to 2052 which involved 31 years of logging activities with the first year of logging activities taken to be from 2022. Management have assumed that the logging volume during the forecast period is 3,565 cubic meters for the years from 2022 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has obtained logging permits for the harvest of timber log of 2,772 cubic meters in the year 2023 and has not obtained logging permits for the harvest of timber logs in the year of 2022, 2024 and onwards.
- The average increment in log sales prices is expected to be 0.95% per annum, which is in line with the long-term producer price index of forestry product.
- The discount rate applied is 16.69%.
- The inflation rate on other operation costs is 2.56% per annum.
- The biological growth rate of cypress is 5.43%.
- The yielding rate for cypress is 40%.
- The expected selling price has been derived from market information.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 19. PLANTATION FOREST ASSETS (Continued)

### (f) Valuation of Plantation Forest Assets (Continued)

#### *Applicable to Kunlin Forest*

- Cash flow projection is determined for a period of 31 years up to 2052 which involved 31 years of logging activities with the first year of logging activities taken to be from 2022. Management have assumed that the logging volume during the forecast period is 1,631 cubic meters for the years from 2022 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has obtained logging permits for the harvest of timber log of 5,599 cubic meters in the year 2023 and has not obtained logging permits for the harvest of timber logs in the year of 2022, 2024 and onwards.
- The average increment in log sales prices is expected to be 0.95% per annum, which is in line with the long-term producer price index of forestry product.
- The discount rate applied is 16.69%.
- The inflation rate on other operation costs is 2.56% per annum.
- The biological growth rate of cypress is 5.43%.
- The yielding rate for cypress is 40%.
- The expected selling price has been derived from market information.

#### *Applicable to Senbo Forest*

- Cash flow projection is determined for a period of 31 years up to 2052 which involved 31 years of logging activities with the first year of logging activities taken to be from 2022. Management have assumed that the logging volume during the forecast period is 2,141 cubic meters for the years from 2022 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has obtained logging permits for the harvest of timber log of 2,390 cubic meters in the year 2023 and has not obtained logging permits for the harvest of timber logs in the year of 2022, 2024 and onwards.
- The average increment in log sales prices is expected to be 0.95% per annum, which is in line with the long-term producer price index of forestry product.
- The discount rate applied is 16.69%.
- The inflation rate on other operation costs is 2.56% per annum.
- The biological growth rate of cypress is 5.43%.
- The yielding rate for cypress is 40%.
- The expected selling price has been derived from market information.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 19. PLANTATION FOREST ASSETS (Continued)

### (f) Valuation of Plantation Forest Assets (Continued)

#### *Applicable to Ruixiang Forest*

- Cash flow projection is determined for a period of 31 years up to 2052 which involved 31 years of logging activities with the first year of logging activities taken to be from 2022. Management have assumed that the logging volume during the forecast period is 3,135 cubic meters for the years from 2022 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has obtained logging permits for the harvest of timber log of 2,242 and 2,167 cubic meters in the year 2022 and 2023 respectively and has not obtained logging permits for the harvest of timber logs in the year of 2024 and onwards.
- The average increment in log sales prices is expected to be 0.95% per annum, which is in line with the long-term producer price index of forestry product.
- The discount rate applied is 16.69%.
- The inflation rate on other operation costs is 2.56% per annum.
- The biological growth rate of cypress is 5.43%.
- The yielding rate for cypress is 40%.
- The expected selling price has been derived from market information.

#### *Applicable to Wantai Forest*

- Cash flow projection is determined for a period of 31 years up to 2052 which involved 31 years of logging activities with the first year of logging activities taken to be from 2022. Management have assumed that the logging volume during the forecast period is 4,758 cubic meters for the years from 2022 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has obtained logging permits for the harvest of timber log of 3,762 and 3,720 cubic meters in the year 2022 and 2023 respectively and not obtained logging permits for the harvest of timber logs in the year of 2024 and onwards.
- The average increment in log sales prices is expected to be 0.95% per annum, which is in line with the long-term producer price index of forestry product.
- The discount rate applied is 16.69%.
- The inflation rate on other operation costs is 2.56% per annum.
- The biological growth rate of cypress is 5.43%.
- The yielding rate for cypress is 40%.
- The expected selling price has been derived from market information.

The fair value less costs to sell of the plantation forest assets at 30 June 2021 and 31 December 2019 have been determined based on Level 3 fair value measurement. There has been no change from the valuation technique used in the prior year. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for generating revenue in the forestry segment. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits which will be granted by the PRC government shortly after application.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 19. PLANTATION FOREST ASSETS (Continued)

### (g) Other risks associated with the plantation forest assets

The Group is exposed to a number of risks related to its plantation forest assets:

#### *Regulatory and environmental risks*

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

#### *Climate and other risks*

The State Council of the PRC manages the country's harvesting activities by imposing annual logging quotas which are determined by the local forestry authorities. Other than the above-mentioned quotas, the Group's revenue also depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. The Group's standing timbers are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

#### *Supply and demand risk*

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 20. GOODWILL

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
<b>Cost</b>		
At beginning and end of the period/year	357	357
<b>Impairment</b>		
At beginning and end of the period/year	(357)	(357)
<b>Carrying amounts</b>		
At end of the period/year	-	-

Goodwill has been allocated for impairment testing purposes to the CGU of provision of services in relation to management, leasing, sale and installation of container houses and related business and impairment loss on this goodwill was fully recognised in profit or loss in prior years.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 21. OTHER INTANGIBLE ASSETS

	Trademark RMB'000	Patent RMB'000	Total RMB'000
<b>Cost</b>			
At 1 January 2019	80,000	54,000	134,000
Acquisition of a subsidiary	82	–	82
Disposals	(82)	–	(82)
At 31 December 2019 and 1 January 2020	<b>80,000</b>	<b>54,000</b>	<b>134,000</b>
Expiration of patent period	–	(54,000)	(54,000)
At 30 June 2021	<b>80,000</b>	–	<b>80,000</b>
<b>Accumulated amortisation and impairment</b>			
At 1 January 2019	80,000	54,000	134,000
Amortisation charge provided for the year	4	–	4
Eliminated on disposals	(4)	–	(4)
At 31 December 2019 and 1 January 2020	<b>80,000</b>	<b>54,000</b>	<b>134,000</b>
Eliminated on expiration of patent period	–	(54,000)	(54,000)
At 30 June 2021	<b>80,000</b>	–	<b>80,000</b>
<b>Carrying amount</b>			
At 30 June 2021	–	–	–
At 31 December 2019	–	–	–

The intangible assets were acquired during the year ended 31 December 2016 following the acquisition by the Group of certain subsidiaries which are engaged in the provision of services in relation to management, leasing, sale and installation of container houses and related business.

The following useful lives are used in the calculation of amortisation of intangible assets:

Trademark	5.25 years
Patent	4.67 years

The amortisation charge for intangible assets is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 22. INVENTORIES

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Raw materials	–	1,190

## 23. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Trade receivables	5,673	7,050
Other receivables	679	1,407
	<b>6,352</b>	<b>8,457</b>

The Group generally allows an average credit period of 90 days (31 December 2019: 90 days) to its trade customers, where partial payment in advance is normally required. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice dates:

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
0–90 days	5,673	4,599
91–180 days	–	90
181–365 days	–	2,361
Total	<b>5,673</b>	<b>7,050</b>

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 23. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables

An aged analysis of the Group's trade receivables, that are past due but not impaired, is as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Past due:		
0–90 days	–	90
More than 90 days	–	2,361
<b>Total</b>	<b>–</b>	<b>2,451</b>

The trade receivables that are past due but not impaired related to a number of customers. Having considered the credit quality of the customers and past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

Movements of allowance of trade receivables are as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
At beginning of the period/year	61,550	–
Impairment loss recognised (Note 9)	7,201	61,550
Reversal of impairment loss on trade receivables (Note 9)	(265)	–
<b>At end of the period/year</b>	<b>68,486</b>	<b>61,550</b>

Details of the allowance of trade receivables are set out in note 43(B)(iii)(b).

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 23. TRADE AND OTHER RECEIVABLES (Continued)

### (b) Other receivables

An analysis of other receivables is as follows:

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Proceeds receivable from disposal of subsidiaries (Note below)	87,833	94,648
Sundry receivables	757	1,407
	<b>88,590</b>	96,055
Less: allowance for doubtful debts	<b>(87,911)</b>	(94,648)
	<b>679</b>	1,407

Note: The proceeds receivable from disposal of subsidiaries amounted to approximately HK\$105,657,000 (equivalent to RMB87,833,000 and RMB94,648,000 at 30 June 2021 and at 31 December 2019 respectively) are unsecured and interest free. Pursuant to the related disposal agreement, such proceeds receivable to the extent of RMB40,000,000 are settled within six months from 14 December 2018, being the date of completion of the disposal, with the remaining balance of RMB53,000,000 which are settled within one year from 14 December 2018. No settlement of the proceeds receivable was received by the Group up to the date of approval of these consolidated financial statements. Impairment loss amounted to RMB87,833,000 has been made against the proceeds receivable in the prior year's consolidated financial statements.

Movements of allowance of other receivables are as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
At beginning of the period/year	94,648	–
Impairment loss recognised (Note 9)	78	93,000
Exchange realignment	<b>(6,815)</b>	1,648
At end of the period/year	<b>87,911</b>	94,648

Details of the impairment loss made on other receivables are set out in Note 43(B)(iii)(a).

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 24. LOANS RECEIVABLE

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Loans and interests thereon receivable within one year	121,349	130,765
Less: Impairment loss recognised	(121,349)	(130,765)
	-	-

Movements during the period/year are as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
At beginning of the period/year	-	124,035
Interest on loans receivable	-	6,343
Loan and interest paid	-	(4,036)
Impairment loss recognised (Note 9)	-	(126,907)
Exchange realignment	-	565
At end of the period/year	-	-

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 24. LOANS RECEIVABLE (Continued)

Movements of impairment loss on loans receivable are as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
At beginning of the period/year	130,765	1,572
Impairment loss recognised (Note 9)	–	126,907
Exchange realignment	(9,416)	2,286
At end of the period/year	121,349	130,765

Details of the impairment loss recognised on loans receivable are set out in Note 43(B)(iii)(a).

Details of the loans receivable outstanding at 30 June 2021 are as follows:

Loan principal amount HK\$'000	Interest rate per annum	Maturity date	Security pledged
12,500	6%	15 June 2020	Note (b)
12,500	6%	10 June 2020	Note (b)
11,026	6%	6 July 2020	Note (b)
12,000	6%	3 July 2020	Note (c)
9,300	6%	25 July 2020	Note (c)
40,000	6%	6 August 2020	Note (b)
25,000	6%	9 August 2020	Note (b)
15,000	6%	19 September 2020	Note (b)
137,326			

Notes:

- (a) The borrowers of the loans receivable are required to settle the loan and interests thereon at the respective maturity dates.
- (b) These loans with the aggregate principal amount of approximately HK\$116,026,000 are secured by certain goods and machineries owned by the borrowers.
- (c) The loans are secured by guarantees given by certain PRC individuals.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 25. DEPOSITS AND PREPAYMENTS

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Deposits paid	1,933	2,066
Prepayments	346	2,643
	<b>2,279</b>	4,709

## 26. BANK BALANCES AND CASH

At 30 June 2021, the Group's bank balances and cash denominated in RMB amounted to approximately RMB1,291,000 (31 December 2019: RMB448,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The bank balances carry interests at rates of 0.125% to 0.385% (31 December 2019: 0.125% to 0.385%) per annum.

## 27. TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Trade payables (Note (ii))	4,713	1,149
Consideration payable for acquisition of subsidiary (Note 31)	6,973	7,514
Amounts due to former directors (Note (iii))	1,107	–
Other payables	21,021	10,066
Deposits received	22	1,783
Accrued charges	11,122	2,392
Interests payable on promissory notes payable and corporate bonds payable	12,392	–
	<b>57,350</b>	22,904

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 27. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (i) The average credit period on purchase of goods is within 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.
- (ii) The following is an aged analysis of trade payables presented based on invoice dates:

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
0-30 days	4,701	5
31-90 days	-	-
Over 90 days	12	1,144
	<b>4,713</b>	<b>1,149</b>

- (iii) The amounts due to former directors, which resigned during the period, were unsecured, interest free and repayable on demand.

## 28. PROMISSORY NOTES PAYABLE

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Promissory notes payable within one year:		
– issued on 6 June 2017 (Note A)	20,830	22,723
– issued on 15 August 2018 (Note B)	31,197	29,844
	<b>52,027</b>	<b>52,567</b>

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 28. PROMISSORY NOTES PAYABLE (Continued)

### (a) Promissory note issued on 6 June 2017 (the "Note A")

On 6 June 2017, the Company issued Note A with the principal amount of HK\$170,000,000 as the consideration for acquisition of the entire equity interest in Garden Glaze and its subsidiaries (Note 19(d)).

Under the agreement relating to the Note A, the Note A is unsecured, carries interest at 5% per annum and is payable on the maturity date of 5 June 2019. On 3 June 2019, the Company entered into a supplemental deed to amend certain terms and conditions of the Note A, with the remaining outstanding principal amount of HK\$23,800,000 from 5 June 2019 to 5 July 2019. On 23 July 2019, the Company entered into the second supplemental deed to amend certain terms and conditions of the Note A, pursuant to which the parties thereto agreed to extend the maturity date of the Note A, with the principal amount of HK\$23,800,000 from 5 July 2019 to 10 February 2020.

The fair value of the Note A at the date of its issue was estimated to be HK\$148,516,000 (equivalent to RMB129,743,000) as valued by Ascent Partners, using the effective interest rate of 12.21% per annum.

At the end of reporting period, the Note A with the principal amount of HK\$23,800,000 (31 December 2019: HK\$23,800,000) remained outstanding. The effective interest rate in respect of the Note A at 30 June 2021 is 5% per annum (31 December 2019: 12.21% per annum).

### (b) Promissory note issued on 15 August 2018 (the "Note B")

On 15 August 2018, the Company issued the Note B with the principal amount of HK\$34,100,000 as part of the consideration for acquisition of the entire equity interest in Today Bridge and its subsidiaries (Note 19(e)).

Under the agreement relating to the Note B, the Note B is unsecured, carries interest at 5% per annum and is payable on the maturity date of 14 August 2020. The Company is also entitled to redeem the whole or part of the Note B at any time after the issue date to one day before the maturity date.

The fair value of the Note B at the date of its issue was estimated to be HK\$24,934,000 (equivalent RMB21,825,000) as valued by B.I. Appraisals, an external valuer, using the effective interest rate of 23.27% per annum.

At the end of the reporting period, the Note B with the principal amount of HK\$34,100,000 (31 December 2019: HK\$34,100,000) remained outstanding. The effective interest rate in respect of the Note B at 30 June 2021 is 5% per annum (31 December 2019: 23.27% per annum).

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 28. PROMISSORY NOTES PAYABLE (Continued)

- (c) Movements of the Group's promissory notes payable for both of the period/year presented are as follows:

	Note A RMB'000	Note B RMB'000	Total RMB'000
At 1 January 2019	21,872	23,783	45,655
Interest charge for the year (Note 10)	1,344	5,433	6,777
Interest paid during the year	(989)	–	(989)
Exchange realignment	496	628	1,124
At 31 December 2019 and 1 January 2020	<b>22,723</b>	<b>29,844</b>	<b>52,567</b>
Interest charge for the period (Note 10)	<b>1,881</b>	<b>4,966</b>	<b>6,847</b>
Interest payable included in other payables	<b>(2,055)</b>	<b>(1,243)</b>	<b>(3,298)</b>
Exchange realignment	<b>(1,719)</b>	<b>(2,370)</b>	<b>(4,089)</b>
At 30 June 2021	<b>20,830</b>	<b>31,197</b>	<b>52,027</b>

## 29. CORPORATE BONDS PAYABLE

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Unsecured corporate bonds payable:		
– Within one year	197,271	98,015
– More than one year, but not exceeding two years	9,434	31,411
– More than two years, but not exceeding five years	47,753	114,689
– More than five years	–	9,468
	<b>254,458</b>	253,583
Less: Amount shown under current liabilities	<b>(197,271)</b>	(98,015)
Amount shown under non-current liabilities	<b>57,187</b>	155,568

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 29. CORPORATE BONDS PAYABLE (Continued)

Movements of the corporate bonds payable are as follows:

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
At beginning of the period/year	253,583	222,011
Proceeds received on issue of corporate bonds, net of interest prepaid	5,400	28,958
Interest charge for the period/year (Note 10)	26,751	16,143
Interest paid during the period/year	(489)	(10,068)
Interest payable included in other payables	(9,094)	–
Repayments during the period/year	(2,121)	(8,890)
Exchange realignment	(19,572)	5,429
At end of the period/year	254,458	253,583

During the current period, the Company issued unsecured corporate bonds with the aggregate principal amounts of approximately HK\$6,206,000 (31 December 2019: HK\$32,900,000), which gave rise to a total proceeds of HK\$6,206,000 (31 December 2019: HK\$32,900,000), equivalent to RMB5,400,000 (31 December 2019: RMB28,958,000) (before expenses).

During the current period, the Group made repayments of part of the corporate bonds with the aggregate principal amount of approximately HK\$2,437,000 (31 December 2019: HK\$10,100,000), equivalent to approximately RMB2,121,000 (31 December 2019: RMB8,890,000).

At the end of the reporting period, the corporate bonds payable with the principal amounts of approximately HK\$279,769,000 (31 December 2019: HK\$276,000,000) remained outstanding.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 29. CORPORATE BONDS PAYABLE (Continued)

An analysis of the corporate bonds payable outstanding at 30 June 2021 is as follows:

Date of issue	Principal amount of corporate bonds HK\$	Interest rate per annum	Maturity date
17 January 2014	5,000,000	7%	16 January 2021
26 February 2014	5,000,000	7%	25 February 2021
10 March 2014	5,000,000	7%	9 March 2021
8 April 2014	10,000,000	4%	7 April 2022
8 April 2014	5,000,000	7%	7 April 2021
15 April 2014	10,000,000	6%	14 April 2022
17 April 2014	10,000,000	6%	16 April 2022
7 May 2014	10,000,000	6%	6 May 2022
12 May 2014	5,000,000	6%	11 May 2022
28 May 2014	5,000,000	7%	27 May 2021
5 June 2014	3,000,000	7%	4 June 2021
18 June 2014	10,000,000	5%	17 June 2022
20 August 2014	6,700,000	6%	19 August 2019
5 September 2014	4,400,000	6%	4 September 2020
17 October 2014	10,000,000	5%	16 October 2022
18 March 2015	10,000,000	5.5%	17 March 2022
21 August 2015	2,000,000	7%	20 August 2019
13 October 2015	6,600,000	6.5%	12 October 2021
25 November 2015	7,000,000	7%	24 November 2019
8 January 2016	10,500,000	7%	7 January 2020
16 November 2016	6,900,000	9%	15 May 2024
19 November 2016	10,000,000	7%	18 November 2023
29 November 2016	3,100,000	9%	28 May 2024
5 January 2017	9,000,000	5%	4 January 2022
19 January 2017	1,000,000	8.5%	18 July 2024
17 March 2017	10,000,000	7%	16 March 2024
23 March 2017	15,500,000	7%	22 March 2020
25 May 2017	8,780,000	8.5%	24 August 2019
8 June 2017	10,000,000	7%	7 June 2024
2 August 2017	10,000,000	7%	1 August 2025
28 September 2017	17,500,000	7%	27 September 2019

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 29. CORPORATE BONDS PAYABLE (Continued)

Date of issue	Principal amount of corporate bonds HK\$	Interest rate per annum	Maturity date
4 March 2019	5,600,000	5%	3 July 2020
26 March 2019	1,170,000	8%	25 September 2019
8 April 2019	3,000,000	5%	7 April 2020
18 April 2019	2,000,000	5%	17 April 2020
26 April 2019	1,000,000	5%	25 April 2020
29 July 2019	1,700,000	5%	28 July 2020
17 June 2019	950,000	5%	16 June 2020
6 August 2019	2,162,600	8%	5 February 2020
26 August 2019	3,000,000	10%	25 May 2020
21 October 2019	4,000,000	10%	20 April 2020
11 December 2019	2,000,000	10%	10 June 2020
23 December 2019	5,000,000	8%	22 December 2020
24 February 2021	1,149,425	8%	23 February 2022
7 May 2021	1,149,425	8%	6 May 2022
1 April 2021	2,068,966	8%	30 April 2022
24 February 2021	1,839,080	8%	23 February 2022
	279,769,496		

The effective interest rate of the corporate bonds payable in respect of the current period ranged from 4.15% to 15.92% per annum (31 December 2019: 4.15% to 12.37% per annum).

## Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

### 30. LEASE LIABILITIES

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Lease liabilities payable:		
– Within one year	133	3,214
– Within a period of more than one year but not more than two years	–	2,849
– Within a period of more than two years but not more than five years	–	886
	133	6,949
Less: Amount due for settlement within twelve months included in current liabilities	(133)	(3,214)
Amount due for settlement after twelve months shown under non-current liabilities	–	3,735

### 31. CONTINGENT CONSIDERATION PAYABLE

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Contingent consideration payable in relation to the acquisition of Gorgeous City Investment Limited (“Gorgeous City”) at fair value	–	–

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 31. CONTINGENT CONSIDERATION PAYABLE (Continued)

In connection with the acquisition of Gorgeous City in the year ended 31 December 2016, under the terms of the acquisition agreement, the balance of the purchase consideration of RMB210,000,000 is contingent and will be settled if Shenzhen Heng Fu Delaisi Intelligent Housing Limited (“**Delaisi**”), a subsidiary of Gorgeous City, has fulfilled the profit guarantee for the guaranteed periods specified below.

Guaranteed period	Profit guarantee RMB'000 (Note)	Contingent consideration RMB'000	Manner of payment of the consideration if the profit guarantee is achieved
The completion date (inclusive) to 31 December 2016	17,500	17,500	RMB5,250,000 is to be paid by cash and RMB12,250,000 by issue of new shares of the Company
1 January 2017 to 30 June 2017	24,500	24,500	RMB7,350,000 is to be paid by cash and RMB17,150,000 by issue of new shares of the Company
1 July 2017 to 31 December 2017	31,500	31,500	RMB9,450,000 is to be paid by cash and RMB22,050,000 by issue of new shares of the Company
1 January 2018 to 30 June 2018	38,500	38,500	RMB11,550,000 is to be paid by cash and RMB26,950,000 by issue of new shares of the Company
1 July 2018 to 31 December 2018	45,500	45,500	RMB13,650,000 is to be paid by cash and RMB31,850,000 by issue of new shares of the Company
1 January 2019 to 30 June 2019	52,500	52,500	RMB15,750,000 is to be paid by cash and RMB36,750,000 by issue of new shares of the Company
		<u>210,000</u>	

Note: Profit guarantee refers to the audited net profit after taxation of Delaisi, which is calculated in accordance with HKFRSs, for the respective guaranteed periods.

The vendors jointly and severally provide the profit guarantees of Delaisi in favour of the Company for the guaranteed period up to and ended on 30 June 2019.

In the event that during any guaranteed period, Delaisi is able to meet 70% or more of the corresponding profit guarantee but less than 100% thereof during the relevant guaranteed period, the amount of the consideration payable to the Vendors during the relevant guaranteed period shall be paid proportionately and the Company has no obligation to pay such consideration or any part thereof to the Vendors for that shortfall during such guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up for the shortfall of the preceding guaranteed period or any part thereof whereby the Company shall pay back the corresponding shortfall of the consideration to the Vendors.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 31. CONTINGENT CONSIDERATION PAYABLE (Continued)

On the other hand, if Delaisi fails to meet 70% of the profit guarantee or having net loss during any guaranteed period, the Company has no obligation to pay the consideration or any part thereof to the Vendors for the specific guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up all or part of the shortfall of the preceding year whereby the Company shall pay back the consideration to the Vendors on a pro rata basis.

If upon the expiration of the guaranteed period ended on 30 June 2019, the accumulated net profits of Delaisi (after taxation) is less than RMB210,000,000, the Vendors shall jointly and severally pay to the Company a compensation calculated by the following formula:

$$\text{RMB40,000,000} \times (1 - (\text{the accumulated net profits of Delaisi during the guarantee period} / \text{RMB210,000,000}) \times 100\%)$$

Hence, if the accumulated profits of Delaisi amounted to nil or is loss-making during the guarantee period, the Vendors shall jointly and severally compensate the Company with a sum of RMB40,000,000.

During the year ended 31 December 2017, following the fulfillment of the profit guarantee of Delaisi amounted to RMB24,500,000 for the period from 1 January 2017 to 30 June 2017, the Company issued approximately 62,321,000 new shares to the Vendors on 6 October 2017. The fair value of these new shares at the date of their issue is estimated to be HK\$0.1 per share, by reference to the closing price of the shares of the Company at that date quoted on the Stock Exchange. The cash payment of HK\$8,388,000, equivalent to RMB6,973,000 (31 December 2019: HK\$8,388,000, equivalent to RMB7,514,000), which was not settled by the Company, was included in trade and other payables (Note 27).

Delaisi failed to achieve the profit guarantee in respect of the periods from 1 July 2017 to 31 December 2017, 1 January 2018 to 30 June 2018, 1 July 2018 to 31 December 2018 and 1 January 2019 to 30 June 2019, accordingly the Company is not required to make any cash payment or issue new shares to the vendors in relation to these parts of the profit guarantee.

Under the terms of the profit guarantee, if the accumulated profit of Delaisi for the guarantee period ended 30 June 2019 is less than RMB210,000,000, the vendors is required to compensate the Company at the amount which is calculated by the formula specified therein. Although management of the Group expected that the accumulated profit of Delaisi for the guaranteed period is less than RMB210,000,000, as the receipt by the Company of such compensation, if any, cannot be ascertained with reasonable certainty, management considers it appropriate not to recognise the fair value of this contingent compensation in the consolidated financial statements.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 32. DEFERRED TAX ASSETS

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Deferred tax assets	–	(250)

Movements in the deferred tax assets during the period/year are as follows:

	Provision for impairment RMB'000
At 1 January 2019	(250)
Credited to profit or loss for the year (Note 11)	–
At 31 December 2019 and 1 January 2020	(250)
Charged to profit or loss for the period (Note 11)	250
At 30 June 2021	–

As at 30 June 2021, the Group had unrecognised tax losses of approximately RMB10,887,000 (31 December 2019: RMB7,439,000), which can be carried forward to offset future taxable profit and will expire within five years after the end of the reporting period. No deferred tax asset had been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB1,159,000 (31 December 2019: RMB67,931,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 33. SHARE CAPITAL

	Par value HK\$	Number of ordinary shares '000	Nominal amount of ordinary shares HK\$'000
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Authorised:

At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2021	0.002	50,000,000	100,000
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	Par value HK\$	Number of ordinary shares '000	Nominal amount of ordinary shares HK\$'000	Carrying amount RMB'000
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Issued and fully paid:

At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2021	0.002	11,024,220	22,048	19,016
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## 34. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution passed on 15 September 2009 for the primary purpose of providing incentives to selected participants, including directors and eligible employees of the Company and its subsidiaries. Under the Scheme, the board of directors of the Company may grant options to eligible participants, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

A nominal consideration of HK\$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the last day of the ten-year period after grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share options were granted, exercised, forfeited or lapsed during the eighteen months ended 30 June 2021 and the year ended 31 December 2019.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 35. RETIREMENT BENEFIT SCHEMES

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance (“MPF schemes”) for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee’s relevant monthly income, subject to a cap of monthly relevant income of HK\$25,000 before 1 June 2014 and HK\$30,000 thereafter. Contributions to the plan vest immediately.

The employees of PRC subsidiaries of the Company are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income of approximately RMB297,000 (31 December 2019: RMB323,000) represents contributions payable by the Group at rates or amounts specified in the schemes.

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the period/year presented.

## 36. ACQUISITION OF SUBSIDIARIES

	For the eighteen months ended 30 June 2021 RMB’000	For the year ended 31 December 2019 RMB’000
Net cash inflow arising from acquisition of – Shenzhen Yi Feng Network Technology Limited	–	371

### Acquisition of Shenzhen YiFeng Network Technology Limited (“YiFeng Network”)

On 1 March 2019, a wholly-owned subsidiary of the Company entered into an agreement with a third party (“the Seller”) to acquire 100% equity interest in YiFeng Network for an aggregate consideration of RMB2 which was satisfied by the payment by the Group in cash. YiFeng Network is a limited company incorporated in the PRC. It is principally engaged in the provision of mobile services in the PRC. YiFeng Network was acquired so as to enable the Group to explore its business opportunity in the field of mobile services in the PRC.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 36. ACQUISITION OF SUBSIDIARIES (Continued)

### Acquisition of Shenzhen YiFeng Network Technology Limited ("YiFeng Network") (Continued)

The acquisition of YiFeng Network had been accounted for using the purchase of business method. The effects of this acquisition were summarised as follows:

	Total RMB'000
Cash consideration paid	–

Acquisition-related costs were minimal. Such costs had been excluded from the purchase consideration and had recognised as an expense for the prior year.

Assets and liabilities of YiFeng Network recognised at the date of acquisition were as follows:

	RMB'000
<b>Non-current assets</b>	
Property, plant and equipment	134
Intangible assets	82
<b>Current assets</b>	
Prepayments	49
Other receivables	983
Bank balances and cash	371
<b>Current liabilities</b>	
Other payables	(1,619)
Total identifiable net assets acquired	–

	RMB'000
Consideration transferred	
– Cash paid by the Company	–
Recognised amount of identifiable net assets acquired	–
Goodwill on acquisition	–

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 36. ACQUISITION OF SUBSIDIARIES (Continued)

### Acquisition of Shenzhen YiFeng Network Technology Limited ("YiFeng Network") (Continued)

	Total RMB'000
<b>Net cash inflow arising on acquisition</b>	
Cash consideration paid	–
Bank balances and cash acquired	371
Net cash inflow on acquisition of subsidiary	371

Included in the loss for the prior year ended 31 December 2019 was loss of approximately RMB2,382,000 attributable to the additional business generated by YiFeng Network. No revenue generated from YiFeng Network was included in revenue of the Group for prior year.

Had the acquisition been completed on 1 January 2019, revenue for the prior year of the Group would have been approximately RMB54,254,000, and loss for that year would have been approximately RMB340,797,000. The pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor was it intended to be a projection of future results.

## 37. DISPOSAL OF A SUBSIDIARY

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Cash outflow arising from disposal of Shenzhen YiFeng YanWei Technology Limited	(607)	–
Total cash outflow from disposal of a subsidiary	(607)	–

### Disposal of Shenzhen YiFeng YanWei Technology Limited ("YiFeng YanWei")

The Group disposed of 100% equity interest in YiFeng YanWei on 28 August 2020 for a cash consideration of RMB1. YiFeng YanWei was principally engaged in the provision of mobile services in the PRC.

	RMB'000
Consideration receivable	–

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 37. DISPOSAL OF A SUBSIDIARY (Continued)

### Disposal of Shenzhen YiFeng YanWei Technology Limited ("YiFeng YanWei") (Continued)

#### *Analysis of assets and liabilities at the date of disposal over which control was lost*

	RMB'000
<b>Current assets</b>	
Inventories	35
Trade receivables	24
Prepayments	15
Bank balances and cash	607
<b>Current liabilities</b>	
Other payables	(1,175)
Net liabilities disposed of	(494)

#### *Gain on disposal of a subsidiary*

	RMB'000
Consideration for disposal	–
Net liabilities disposed of	494
Gain on disposal of a subsidiary (Note 9)	494

#### *Net cash outflow arising from disposal*

	RMB'000
Consideration for disposal received	–
Less: Bank balances and cash disposed of	(607)
Net cash outflow arising from disposal	(607)

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Promissory notes payable RMB'000	Corporate bonds payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2019	45,655	222,011	1,666	269,332
Financing cash inflows	–	28,958	–	28,958
Financing cash outflows	(989)	(18,958)	(1,883)	(21,830)
Finance costs for the year	6,777	16,143	122	23,042
Addition of lease liabilities arising from right-of-use assets	–	–	8,130	8,130
Derecognition upon disposal of right-of-use assets	–	–	(1,172)	(1,172)
Exchange realignment	1,124	5,429	86	6,639
At 31 December 2019 and 1 January 2020	52,567	253,583	6,949	313,099
Financing cash inflows	–	5,400	–	5,400
Financing cash outflows	–	(2,610)	(3,667)	(6,277)
Finance costs for the period	6,847	26,751	185	33,783
Addition of lease liabilities arising from right-of-use assets	–	–	–	–
Derecognition upon disposal of right-of-use assets	–	–	(3,192)	(3,192)
Interest payable included in other payables	(3,298)	(9,094)	–	(12,392)
Exchange realignment	(4,089)	(19,572)	(142)	(23,803)
At 30 June 2021	52,027	254,458	133	306,618

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 39. MAJOR NON-CASH TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following major non-cash transactions:

During the eighteen months ended 30 June 2021, proceeds from disposal of property, plant and equipment to purchase suppliers amounted to approximately RMB664,000 were settled through offset against payable to those suppliers.

## 40. PLEDGE OF ASSETS

The Group had no assets pledged as at 30 June 2021 and 31 December 2019.

## 41. RELATED PARTY TRANSACTIONS

In addition to the transactions with related parties disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

### Remuneration of directors and other members of key management

	For the eighteen months ended 30 June 2021 RMB'000	For the year ended 31 December 2019 RMB'000
Salaries and other allowances	7,607	3,868
Retirement benefits scheme contributions	105	64
	<b>7,712</b>	<b>3,932</b>

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of net debt, which includes promissory notes payable and corporate bonds payable disclosed in Note 28 and Note 29 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts or the repayment of existing debts.

## 43. FINANCIAL INSTRUMENTS

### (A) Categories of financial instruments

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Financial assets		
Loans and receivables at amortised cost (including bank balances and cash)	10,104	13,704
Financial liabilities		
Financial liabilities at amortised cost	363,946	334,220

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, trade and other receivables, bank balances and cash, trade and other payables, promissory notes payable, corporate bonds payable, lease liabilities and contingent consideration payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

#### (i) Currency risk

No significant revenue derived by the Group in respect of the eighteen months ended 30 June 2021 and the year ended 31 December 2019 were denominated in foreign currencies. Substantially all of the costs incurred for both of the eighteen months ended 30 June 2021 and the year ended 31 December 2019 were denominated in functional currencies of the group entities.

At 30 June 2021 and 31 December 2019, the companies in the Group had some monetary assets and liabilities which were denominated in foreign currencies.

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### Sensitivity analysis

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the HK\$ exchange rates, with all other variables held constant, of the Group's loss before tax.

		Decrease/ (increase) in loss before tax	
		For the eighteen months ended 30 June 2021	For the year ended 31 December 2019
	%	RMB'000	RMB'000
If RMB weakens against HK\$	5	(368)	(367)
If RMB strengthens against HK\$	(5)	368	367

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (ii) *Interest rate risk*

The Group's major liabilities, including promissory notes payables and corporate bonds payables, carry interests at fixed interest rates and are not subject to cash flow interest rate risk.

As at 30 June 2021 and 31 December 2019, the Group was exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

#### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits as at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have been 50 basis points higher/lower in 2021 and all other variables were held constant, the Group's post-tax loss for the eighteen months ended 30 June 2021 would decrease/increase by approximately RMB8,000 (year ended 31 December 2019: RMB15,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposits which carried interest at floating rates.

#### (iii) *Credit risk*

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets derived from its loans receivable, trade and other receivables and deposits at banks.

Majority of the Group's bank deposits are placed in a bank which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past.

The Group has large number of customers and there was concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the receivables as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

##### (a) Loans receivable and other receivables

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group's definition of categories	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected losses; where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Receivables for which there is a significant increase in credit risk (significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due).	Lifetime expected losses.
Non-performing	Interest and/or principal repayments are 365 days past due.	Lifetime expected losses.
Write-off	Interest and/or principal repayments are 2 years past due and there is no reasonable expectation of recovery.	Asset is written off.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

##### (a) Loans receivable and other receivables (Continued)

###### Loans receivable

As at 31 December 2019, the internal credit rating of the loans receivable were underperforming. The Group had assessed the expected credit loss rate for these receivables based on 12 months expected losses method which resulted in allowance for loans receivable amounted to approximately RMB4,543,000 recognised for the year ended 31 December 2019.

For the prior year ended 31 December 2019, in view of the continuous economic downturn and uncertainty of the financial position of the borrowers, coupled with the possible deterioration of the quality of secured assets, if any, on the loans receivable, management of the Group was of the opinion that recoverability of the loans receivable was uncertain, accordingly considered it appropriately to make impairment loss in full on the loans receivable, which resulted in additional impairment loss amounted to approximately RMB122,364,000 charged to profit or loss in respect of that year.

For the current period under review, in view of no improvement of the economic situations and financial position of the borrowers, no impairment loss on loans receivable was reversed to profit or loss in respect of the period.

###### Other receivables

The other receivables as at 30 June 2021 mainly represent the proceeds receivable from disposal of subsidiaries in prior year amounted to approximately RMB93,000,000, of which RMB40,000,000 and RMB53,000,000 were due for settlement on 14 June 2019 and 14 December 2019 respectively. No settlement of the proceeds receivable were received by the Group up to the date of approval of the consolidated financial statements. As the proceeds receivable have been overdue for a long period of time and the financial position of the related debtor is uncertain, management of the Group is of the opinion that recoverability of the proceeds receivable is uncertain, accordingly, impairment loss amounted to approximately RMB78,000 (year ended 31 December 2019: RMB93,000,000) was made against the other receivables, which was charged to profit or loss in respect of the current period.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

##### (b) Trade receivables

The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

For the eighteen months ended 30 June 2021, the Group recognised allowance for trade receivables based on the provision matrix, amounted to approximately RMB5,824,000 (31 December 2019: RMB35,803,000).

In addition to the allowance calculated based on the provision matrix, in view of the continuous economic downturn and financial difficulty or uncertainty of the financial position of the debtors, management of the Group was of the opinion that recoverability of the trade receivables was uncertain, accordingly considered it appropriate to make additional impairment loss amounted to approximately RMB1,377,000 (year ended 31 December 2019: RMB25,747,000) against the trade receivables, which was charged to profit or loss in respect of the current period.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

##### (b) Trade receivables (Continued)

The loss allowance for trade receivables was determined as follows:

	0-90 days	91-180 days	181-365 days	More than 365 days	Total
<b>30 Jun 2021</b>					
Expected loss rate	3%	0%	0%	100%	
Gross carrying amount (RMB'000)	7,253	–	–	66,906	74,159
Loss allowance (RMB'000)	(203)	–	–	(66,906)	(67,109)
Additional loss allowance (RMB'000)	(1,377)	–	–	–	(1,377)
<b>31 Dec 2019</b>					
Expected loss rate	27%	0%	0%	100%	
Gross carrying amount (RMB'000)	41,424	90	2,361	24,725	68,600
Loss allowance (RMB'000)	(11,078)	–	–	(24,725)	(35,803)
Additional loss allowance (RMB'000)	(25,747)	–	–	–	(25,747)

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iii) Credit risk (Continued)

##### (b) Trade receivables (Continued)

The credit quality of the debtors is assessed based on their financial positions, past experience and other factors. The Group has policies in place to ensure credit terms are granted to reliable debtors. As at 30 June 2021, the Group had a concentration of credit risk given that the largest customer and the top 5 customers accounted for 36.5% (31 December 2019: 46.2%) and 99.8% (31 December 2019: 97.7%) of the Group's total year end trade receivables balance after allowance for doubtful debts respectively. However, the Group concludes that the credit risk in relation to these customers is significant because they have history of default in recent years. The Group's historical experience in collection of receivables falls within recorded allowance and the directors expect major impairment on trade receivables, and receivables from other counterparties.

##### (c) Cash at bank and bank deposits

While bank balances and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

#### Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated by interest rate curve.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these no-derivative financial assets is necessary in order to understand the Group's liquidity risk management at the liquidity is managed on a net asset and liability basis.

The amount included below for variable interest rate instruments for the non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

#### As at 30 June 2021

	On demand or within one year RMB'000	More than 1 year but less than 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 30 June 2021 RMB'000
Non-derivative financial assets					
Trade and other receivables	6,352	-	-	6,352	6,352
Deposits paid	-	1,933	-	1,933	1,933
Bank balances and cash	1,819	-	-	1,819	1,819
	8,171	1,933	-	10,104	10,104
Non-derivative financial liabilities					
Trade and other payables	57,328	-	-	57,328	57,328
Promissory notes payable	52,027	-	-	52,027	52,027
Corporate bonds payable	210,627	58,516	-	269,143	254,458
Lease liabilities	134	-	-	134	133
	320,116	58,516	-	378,632	363,946

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (B) Financial risk management objectives and policies (Continued)

#### (iv) Liquidity risk (Continued)

Liquidity tables (Continued)

As at 31 December 2019

	On demand or within one year RMB'000	More than 1 year but less than 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount as at 31 December 2019 RMB'000
Non-derivative financial assets					
Trade and other receivables	8,457	–	–	8,457	8,457
Deposits paid	2,066	–	–	2,066	2,066
Bank balances and cash	3,181	–	–	3,181	3,181
	13,704	–	–	13,704	13,704
Non-derivative financial liabilities					
Trade and other payables	21,121	–	–	21,121	21,121
Promissory notes payable	53,382	–	–	53,382	52,567
Corporate bonds payable	109,466	164,732	8,956	283,154	253,583
Lease liabilities	3,368	3,762	–	7,130	6,949
	187,337	168,494	8,956	364,787	334,220

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 43. FINANCIAL INSTRUMENTS (Continued)

### (C) Fair value measurement

#### (i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

The Group's contingent consideration payable is measured at fair value at the end of the reporting period. The following table gives information about how the fair value of these financial liabilities are determined, in particular, the valuation technique(s) and inputs used.

	Fair value		Fair value hierarchy	Valuation technique(s)	Inputs and key assumptions
	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000			
Financial liabilities					
Contingent consideration payable	-	-	Level 3	Probabilistic approach of management's expectations of the net profit after tax of Delaisi and discounted cash flows method used to arrive at the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Note 31

There were no transfer of the financial liabilities between the levels in both of the period/year presented.

#### (ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their values. The fair values, which are included in Level 3 category, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

#### (iii) Reconciliation of Level 3 fair value measurements

Reconciliation of Level 3 fair value measurements of the contingent consideration payable is as follows:

	Contingent consideration payable	
	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Balance at beginning of the period/year	-	-
Materialised upon fulfillment of profit guarantee	-	-
Gain on change in fair value	-	-
Balance at end of the period/year	-	-

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 30 June 2021 RMB'000	As at 31 December 2019 RMB'000
Non-current assets		
Investments in subsidiaries	60,646	567,470
Property, plant and equipment	26	42
Right-of-use assets	–	4,925
	<b>60,672</b>	572,437
Current assets		
Other receivables	42	10
Deposits paid and prepayments	1,723	4,429
Amounts due from subsidiaries	4,455	25
Bank balances and cash	15	2,685
	<b>6,235</b>	7,149
Current liabilities		
Other payables	31,439	10,874
Amounts due to subsidiaries	67,855	63,775
Promissory notes payable	52,027	52,567
Corporate bonds payable	197,271	98,015
Lease liabilities	–	4,955
	<b>348,592</b>	230,186
Net current liabilities	<b>(342,357)</b>	(223,037)
Total assets less current liabilities	<b>(281,685)</b>	349,400
Non-current liabilities		
Corporate bonds payable	57,187	155,568
	<b>57,187</b>	155,568
Net (liabilities)/assets	<b>(338,872)</b>	193,832
Capital and reserves		
Share capital	19,016	19,016
Reserves (Note)	(357,888)	174,816
(Total deficit on equity)/total equity	<b>(338,872)</b>	193,832

The Company's statement of financial position was approved and authorised for issue by the board of directors on 18 January 2023 and is signed on its behalf by:

**Professor Fei Phillip**  
Director

**Wong Yibin**  
Director

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

### Note: Reserves of the Company

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	807,536	(22)	(408,054)	399,460
Loss for the year	-	-	(224,644)	(224,644)
Other comprehensive income for the year	-	-	-	-
Total comprehensive expense for the year	-	-	(224,644)	(224,644)
At 31 December 2019 and 1 January 2020	807,536	(22)	(632,698)	174,816
Loss for the period	-	-	(573,045)	(573,045)
Other comprehensive income for the period	-	40,341	-	40,341
Total comprehensive expense for the period	-	40,341	(573,045)	(532,704)
At 30 June 2021	807,536	40,319	(1,205,743)	(357,888)

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 45. SUBSIDIARIES

Details of the material subsidiaries at the end of the reporting period are set out below:

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly		As at 30 June 2021	As at 31 December 2019	
				As at 30 June 2021	As at 31 December 2019	As at 30 June 2021	As at 31 December 2019			
				2021	2019	2021	2019	2021	2019	
China Timbers Limited 中國木業有限公司	BVI	Ordinary	US\$1	100%	100%	-	-	100%	100%	Investment holding
China Timbers Limited 中國木業投資集團有限公司	Hong Kong	Ordinary	HK\$1	-	-	100%	100%	100%	100%	Investment holding
Shenzhen Junlifa Timbers Limited <sup>1,3</sup> 深圳市君利發木業有限公司	The PRC	Contributed capital	RMB500,000	-	-	100%	100%	100%	100%	Investment holding
Jiange Hengchang Low-Carbon Forestry Development Co., Limited <sup>2,3</sup> 劍閣縣恒昌低碳林業開發有限公司	The PRC	Contributed capital	RMB1,000,000	-	-	100%	100%	100%	100%	Forestry management
Jiange Kunlin Linye Company Limited <sup>2,3</sup> 劍閣縣坤林林業種植有限公司	The PRC	Contributed capital	RMB1,000,000	-	-	100%	100%	100%	100%	Forestry management
Shenzhen Yifeng Network Technology Limited <sup>4</sup> 深圳市億豐網絡科技有限公司	The PRC	Contributed capital	RMB1,000,002	-	-	100%	100%	100%	100%	Sales of designated products
Forever Biosource (Credit) Limited 恒生源(信貸)有限公司	Hong Kong	Ordinary	HK\$1,000	100%	100%	-	-	100%	100%	Money lending
Huxiang International Holdings Limited 湖湘國際控股有限公司	BVI	Ordinary	US\$10,000	100%	100%	-	-	100%	100%	Investment holding
Hengfeng Investments Holdings Limited 恒豐投資控股有限公司	Hong Kong	Ordinary	HK\$10,000	-	-	100%	100%	100%	100%	Investment holding
Kaixuan Muye (Shenzhen) Limited <sup>1,3</sup> 凱軒木業(深圳)有限公司	The PRC	Contributed capital	HK\$3,000,000	-	-	100%	100%	100%	100%	Investment holding
Jiange Senbo Linye Company Limited <sup>2,3</sup> 劍閣縣森博林業有限公司	The PRC	Contributed capital	RMB1,000,000	-	-	100%	100%	100%	100%	Forestry management
Gorgeous City Investment Limited	BVI	Ordinary	US\$12,500	100%	100%	-	-	100%	100%	Investment holding
Sunny Land Capital Limited	BVI	Ordinary	US\$50,000	-	-	100%	100%	100%	100%	Investment holding
Paracelsus Swiss Limited	Hong Kong	Ordinary	HK\$100,000	-	-	100%	100%	100%	100%	Investment holding
Sunny Land Trading Limited 日地貿易有限公司	Hong Kong	Ordinary	HK\$1	-	-	100%	100%	100%	100%	Investment holding
Shenzhen Heng Fu Delaisi Intelligent Housing Limited <sup>1,3</sup> 深圳恒富得萊斯智能房屋有限公司	The PRC	Contributed capital	RMB1,000,000	-	-	100%	100%	100%	100%	Container houses services
Xiangyin Heng Fu Delaisi Intelligent Housing Limited <sup>2,3</sup> 湘陰恒富得萊斯智能房屋有限公司	The PRC	Contributed capital	RMB650,000	-	-	100%	100%	100%	100%	Container houses services
深圳恒泰集成房屋有限公司 <sup>2</sup> (前稱：深圳前海得萊斯智能房屋有限公司)	The PRC	Contributed capital	RMB830,000	-	-	100%	100%	100%	100%	Container houses services

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 45. SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ establishment/ operations	Class of shares held	Paid up registered capital	Proportion of ownership interests held by the Company				Proportion of voting power held by the Company		Principal activities
				Directly		Indirectly		As at 30 June 2021	As at 31 December 2019	
				As at 30 June 2021	As at 31 December 2019	As at 30 June 2021	As at 31 December 2019			
				As at 30 June 2021	As at 31 December 2019	As at 30 June 2021	As at 31 December 2019	As at 30 June 2021	As at 31 December 2019	
深圳市中安行交通科技有限公司 <sup>2</sup> (前稱：深圳中安居智能房屋有限公司)	The PRC	Contributed capital	RMB1,000,000	-	-	100%	-	100%	-	Container houses services
Noble Bridge Investment Holdings Limited 富橋投資控股有限公司	BVI	Ordinary	US\$1	100%	100%	-	-	100%	100%	Investment holding
Garden Glaze Limited	BVI	Ordinary	US\$1,000	100%	100%	-	-	100%	100%	Investment holding
High Centre Limited 軒中有限公司	Hong Kong	Ordinary	HK\$1	-	-	100%	100%	100%	100%	Investment holding
Shenzhen Shengshi Zhiyou Forestry Limited <sup>1,3</sup> 深圳市盛世智友林業有限公司	The PRC	Contributed capital	RMB500,000	-	-	100%	100%	100%	100%	Investment holding
Jiange Ruixiang Linye Company Limited <sup>2,3</sup> 劍閣縣瑞祥林業有限公司	The PRC	Contributed capital	RMB1,000,000	-	-	100%	100%	100%	100%	Forestry management
Today Bridge Limited <sup>5</sup>	BVI	Ordinary	US\$1,000	100%	100%	-	-	100%	100%	Investment holding
Today Bridge Limited <sup>5</sup>	Hong Kong	Ordinary	HK\$10,000	-	-	100%	100%	100%	100%	Investment holding
Xinglonghe Shiye (Shenzhen) Limited <sup>1,3</sup> 興隆和實業(深圳)有限公司	The PRC	Contributed capital	RMB1,000,000	-	-	100%	100%	100%	100%	Investment holding
Jiange Wantai Linye Limited <sup>2,3</sup> 劍閣縣萬泰林業有限公司	The PRC	Contributed capital	RMB1,000,000	-	-	100%	100%	100%	100%	Forestry Management

<sup>1</sup> These entities are registered as wholly-foreign owned enterprises under the PRC laws.

<sup>2</sup> These entities are registered as limited liability enterprises under the PRC laws.

<sup>3</sup> The English transliteration of the Chinese name is for identification purpose only and should not be regarded as the official English name.

<sup>4</sup> The subsidiary was acquired of by the Group on 1 March 2019.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the period/year and at the end of the period/year.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 46. LITIGATIONS AND DEBT RESTRUCTURING

The following events regarding the litigations and claims against the Group and the Group's debt restructurings which took place subsequent to the end of the reporting period:

### (a) Winding-up Petition

On 15 May 2020, the Company received a petition (the "**Petition**") from a holder of the bonds issued by the Company (the "**Petitioner**") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance (Chapter 32, Laws of Hong Kong) filed in the High Court of the of The Hong Kong Special Administrative Region (the "**High Court**") under Companies Winding-up Proceedings No. 182 that the Company may be wound up by the High Court on the ground that the Company is failure to settle the outstanding principal of the bonds and the accrued interest amounted to approximately HK\$10,159,000, which was included in corporate bonds payable at 30 June 2021 presented in the consolidated statement of financial position. The court hearing of the winding up petition was adjourned on 4 October 2021. Upon joint application of the Petitioner and the Group to withdraw the petition by way of consent summons, an order was made by the High Court on 4 October 2021 that, among others, the Petition against the Group was dismissed.

Details regarding the Petition are set out in the announcements made by the Company dated 15 May 2020, 10 August 2020, 26 August 2020, 9 September 2020, 16 September 2020, 15 October 2020, 5 November 2020, 2 December 2020, 9 December 2020, 30 December 2020, 13 January 2021, 27 January 2021, 3 March 2021, 1 April 2021, 5 May 2021, 16 June 2021, 28 June 2021, 29 June 2021 and 29 October 2021.

### (b) Claims

On 7 August 2020, the landlord of the Company's office (the "**Landlord**") filed a writ of summon against the Company in respect of the claim of outstanding rent, air-conditioning charges, service charges, rates and interest (the "**Claim**"). On 23 October 2020, the Court made the final judgment and order, pursuant to which the Company is required to pay the Landlord (i) the Claim of HK\$596,766; (ii) rent, air-conditioning charges, service charges, rates and interest from 1 September 2020 to the date of delivery of vacant possession of the premises; (iii) damages to be assessed; and (iv) costs of this action to be determined. On 6 November 2020, the Company vacated the premises and the premises have been taken over by the Landlord. The outstanding amount owed the Landlord by the Company as at 30 June 2021 was approximately HK\$1,219,000 which has been included in other payables as that date (Note 27) recognised in the consolidated financial statement for the current period.

# Notes to the Consolidated Financial Statements (continued)

For the eighteen months ended 30 June 2021

## 46. LITIGATIONS AND DEBT RESTRUCTURING (Continued)

### (c) Debt Restructuring

On 3 December 2020, the Company announced that to facilitate the debt restructuring of the Company, Professor Fei Phillip, the chairman of the Board, has filed a winding up petition against the Company at the Grand Court of the Cayman Islands (the "**Cayman Court**") and the Company has also made an application to the Cayman Court for an application for the appointment of JPLs of the Company, with the hearing held at the Cayman Court on 3 December 2020 (Cayman Islands time). At the hearing, an order (the "**Order**") in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Martin Trott of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes.

The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose.

On 11 May 2021, the Company announced that the provisional liquidation of China Bozza Development Holdings Limited (in Provisional Liquidation in the Cayman Islands) was effected from 11 May 2021 and Mr. Osman Mohammed Arab, Mr. Lai Wing Lun and Mr. Martin Nicholas John Trott were appointed as JPLs for restructuring purposes with effect from 11 May 2021.

To further facilitate the restructuring of the Company and fulfilment of the resumption guidance set out by the Stock Exchange, the Company, Zhonggangtong International Holding Group Co., Limited ("**Zhanggangtong**"), an independent third party, and the JPLs have entered into a funding agreement (the "**Funding Agreement**") on 23 August 2022, pursuant to which Zhonggangtong has agreed to grant a credit facility of up to HK\$26 million to the Company, subject to the terms and conditions stipulated in the Funding Agreement. Details regarding the Funding Agreement are set out in the announcement dated 26 August 2022 made by the Company.

On 30 December 2022, the Company, the JPLs and Zhonggangtong entered into a restructuring framework agreement (the "**Restructuring Framework Agreement**"), pursuant to which the Company will implement a restructuring of the debts and liabilities, capital structure and share capital of the Company (the "**Proposed Restructuring**") including (i) the capital reorganisation of the Company and the change in board lot size of shares of the Company; (ii) subscription by Zhonggangtong of the new shares of the Company (as defined in the Restructuring Framework Agreement) for an aggregate subscription price of HK\$60 million; (iii) restructure of the Group's debts through the Creditors' Scheme (as defined in the Restructuring Framework Agreement), involving (a) the Creditors' Scheme Cash Consideration; (b) the Scheme Shares Issue; and (c) the Promissory Notes Issue. The implementation of the Restructuring Framework Agreement is subject to various conditions to be fulfilled and approvals from government and regulatory bodies, including the SFC, the Stock Exchange and the shareholders and creditors of the Company. Details regarding the above Proposed Restructuring are set out in the Company's announcement dated 30 December 2022.