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中國寶沙發展控股有限公司
China Bozza Development Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Provisional Liquidators Appointed)
(For Restructuring Purpose)
(Stock code: 1069)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Bozza Development Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2021 (the “**Reporting Period**”) together with the comparative figures for the twelve months ended 31 December 2020 (the “**Previous Period**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

		Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000 (Restated)
	<i>Notes</i>		
Continuing operations			
Revenue	4	3,777	336
Cost of sales and services		<u>(3,864)</u>	<u>–</u>
Gross (loss)/profit		(87)	336
Investment and other income	6	33	487
Other gains/(losses), net	7	6,592	(89,505)
Selling and distribution expenses		(348)	(182)
Administrative expenses		(4,933)	(46,477)
Finance costs	8	<u>(6,713)</u>	<u>(20,791)</u>
Loss before tax	9	(5,456)	(156,132)
Income tax expense	10	<u>(2)</u>	<u>–</u>
Loss for the period from continuing operations		<u>(5,458)</u>	<u>(156,132)</u>
Discontinued operation			
Loss for the period from discontinued operation	11	<u>–</u>	<u>(2,320)</u>
Loss for the period		<u>(5,458)</u>	<u>(158,452)</u>
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>6,565</u>	<u>28,273</u>
Other comprehensive income for the period		<u>6,565</u>	<u>28,273</u>
Total comprehensive income/(expense) for the period		<u><u>1,107</u></u>	<u><u>(130,179)</u></u>

		Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000 (Restated)
Loss for the period attributable to owners of the Company			
– Continuing operations		(5,458)	(156,132)
– Discontinued operation		<u>–</u>	<u>(2,320)</u>
Loss for the period		<u>(5,458)</u>	<u>(158,452)</u>
Total comprehensive income/(expense) for the period attributable to owners of the Company			
– Continuing operations		1,107	(127,859)
– Discontinued operation		<u>–</u>	<u>(2,320)</u>
Total comprehensive income/(expense) for the period		<u>1,107</u>	<u>(130,179)</u>
		RMB cents	RMB cents
Loss per share from continuing operations	<i>13</i>		
Basic		(0.05)	(1.42)
Diluted		<u>N/A</u>	<u>N/A</u>
Loss per share from continuing and discontinued operations	<i>13</i>		
Basic		(0.05)	(1.44)
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		31 December 2021 (Unaudited) <i>RMB'000</i>	30 June 2021 (Audited) <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>14</i>	94	95
Right-of-use assets		45,371	46,221
Plantation forest assets	<i>15</i>	30,055	30,140
Goodwill		–	–
Other intangible assets		–	–
		<u>75,520</u>	<u>76,456</u>
Current assets			
Trade and other receivables	<i>16</i>	8,863	6,352
Loans receivables	<i>17</i>	–	–
Deposits and prepayments		1,905	2,279
Bank balances and cash		343	1,819
		<u>11,111</u>	<u>10,450</u>
Current liabilities			
Trade and other payables	<i>18</i>	60,071	57,350
Promissory notes payable	<i>19</i>	51,113	52,027
Corporate bonds payable	<i>20</i>	203,508	197,271
Lease liabilities		6	133
Income tax payable		257	257
		<u>314,955</u>	<u>307,038</u>
Net current liabilities		<u>(303,844)</u>	<u>(296,588)</u>
Total assets less net current liabilities		<u>(228,324)</u>	<u>(220,132)</u>

		31 December	30 June
		2021	2021
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
Non-current liabilities			
Corporate bonds payable	20	<u>47,888</u>	<u>57,187</u>
		<u>47,888</u>	<u>57,187</u>
Net liabilities		<u><u>(276,212)</u></u>	<u><u>(277,319)</u></u>
Capital and reserves			
Share capital	21	19,016	19,016
Reserves		<u>(295,228)</u>	<u>(296,335)</u>
Total deficit on equity		<u><u>(276,212)</u></u>	<u><u>(277,319)</u></u>

NOTES

1. GENERAL INFORMATION

China Bozza Development Holdings Limited is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of 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 28 February 2023, the date of approval of these condensed consolidated interim financial statements.

The Group is 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 dollar ("HKD") while that for the major subsidiaries in the People's Republic of China ("PRC") is Renminbi ("RMB"). As the operations of the Group are mainly undertaken in the PRC, the Directors consider that it is appropriate to present the condensed consolidated interim 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 Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd., were appointed as JPLs. Details of the JPLs are set out in the Company's announcement dated 11 May 2021.

Change of accounting period

During the prior 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 unaudited condensed consolidated interim financial statements for the prior period cover the twelve-month period ended 31 December 2020. The corresponding comparative amounts shown for the unaudited condensed consolidated statement of profit or loss and other comprehensive income and related notes cover the twelve-month period ended 31 December 2020 and therefore may not be comparable with amounts shown for the current six-month period.

Restatement of comparative information for the twelve months ended 31 December 2020

As set out in note 11, 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 condensed consolidated statement of profit or loss and other comprehensive income and related notes, and comparative information for the twelve months ended 31 December 2020 has been restated to conform with current period's presentation.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the Audit Committee.

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements and selected explanatory notes have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Notwithstanding that (a) the Group incurred net loss of approximately RMB5,458,000 for the six-month period ended 31 December 2021 and, as of that date, the Group’s net liabilities amounted to approximately RMB276,212,000; and (b) the current liabilities of the Group at 31 December 2021 exceed its current assets at that date by approximately RMB303,844,000, and that 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 RMB51,113,000, RMB203,508,000 and RMB17,387,000 respectively, the Directors considered it appropriate for the preparation of the condensed consolidated interim financial statements on a going concern basis after taking into account of the following circumstances and measures that are in place or are to be implemented.

As referred to in note 24(c) below, the Company is under the debt restructuring. The Company and the joint provisional liquidators are making a debt restructuring plan (the “**Restructuring Proposal**”) with respect to the necessary steps which need to be taken in order for the Restructuring Proposal to be successfully implemented to allow the Company to continue as a going concern.

Under these circumstances, the Directors are of the opinion that the Group is able to operate as a going concern for the foreseeable future. No adjustments have been made in the condensed consolidated interim financial statements in the events that the Group is unable to operate as a going concern.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for plantation forest assets, which are measured at fair value.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 31 December 2021 are the same as those presented in the Group’s audited consolidated financial statements for the eighteen months ended 30 June 2021.

Application of amendments to HKFRSs

In the interim 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 2021 for the preparation of the Group’s condensed consolidated interim financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-related rent concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform – phase 2

The application of the Amendments to References to the Conceptual Framework in HKFRS and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

4. REVENUE

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

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000
Continuing operations:		
Revenue from sales of goods	7,312	–
Sales return from sales and installation of container houses (<i>Note</i>)	(3,535)	–
Rental income from container houses	–	336
	<hr/>	<hr/>
Revenue from continuing operations	3,777	336
	<hr/>	<hr/>
Discontinuing operation:		
Interest income from money lending business	–	6,330
	<hr/>	<hr/>
Revenue from discontinued operation	–	6,330
	<hr/>	<hr/>
Total revenue	<u>3,777</u>	<u>6,666</u>

Revenue from sales of goods 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.

Note: In the prior period of the eighteen months ended 30 June 2021, certain goods were purchased by the Group at the total cost of approximately RMB3,414,000 and such goods were then sold to a customer for an aggregate sale price of approximately RMB3,535,000, accordingly the sale and purchase of the goods were recognised as the Group's revenue and cost of sales respectively for that period. During the current period, the customer claimed the relevant goods to be defective and made returns of these goods to the Group and the Group in turn returned such goods to the supplier, which resulted in the recognition of sale returns of approximately RMB3,535,000 and purchase returns of approximately RMB3,414,000 against the Group's revenue and cost of sales respectively for the current period, and the revenue and cost of sales and services of the Group for the current period have been arrived at after deducting the sale returns and purchase returns respectively.

5. 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 11, the Group's money lending business was classified as discontinued operation during the eighteen months ended 30 June 2021 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:

Continued 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 six months ended 31 December 2021 and twelve months ended 31 December 2020 is presented below.

Segment revenues and results

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

For the six months ended 31 December 2021 (unaudited)

	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	6,756	(2,979)	3,777	–	3,777
Segment profit/(loss)	5,708	(974)	4,734	–	4,734
Unallocated bank interest income					1
Other unallocated income					32
Other unallocated expenses					(3,510)
Finance costs					(6,713)
Loss before tax					(5,456)
Income tax expense					(2)
Loss for the period					(5,458)

For the twelve months ended 31 December 2020 (unaudited)

	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	<u>–</u>	<u>336</u>	<u>336</u>	<u>6,330</u>	<u>6,666</u>
Segment loss	<u>(89,027)</u>	<u>(48)</u>	<u>(89,075)</u>	<u>(2,320)</u>	<u>(91,395)</u>
Unallocated bank interest income					2
Gain on disposal of a subsidiary					494
Other unallocated income					485
Other unallocated expenses					(47,247)
Finance costs					<u>(20,791)</u>
Loss before tax					(158,452)
Income tax expense					<u>–</u>
Loss for the year					<u>(158,452)</u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	31 December 2021 (Unaudited) RMB'000	30 June 2021 (Audited) RMB'000
Segment assets		
Forestry Business	82,349	76,433
Container Houses Business	<u>2,141</u>	<u>6,217</u>
Total segment assets	84,490	82,650
Unallocated assets	<u>2,141</u>	<u>4,256</u>
Consolidated assets	<u>86,631</u>	<u>86,906</u>
	31 December 2021 (Unaudited) RMB'000	30 June 2021 (Audited) RMB'000
Segment liabilities		
Forestry Business	6,179	6,666
Container Houses Business	<u>860</u>	<u>5,097</u>
Total segment liabilities	7,039	11,763
Liabilities attributable to a discontinued operation	–	728
Unallocated liabilities	<u>355,804</u>	<u>351,734</u>
Consolidated liabilities	<u>362,843</u>	<u>364,225</u>

6. INVESTMENT AND OTHER INCOME

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000
Continuing operations:		
Bank interest income	1	2
Sundry income	32	485
	<u>33</u>	<u>487</u>

7. OTHER GAINS/(LOSSES), NET

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000 (Restated)
Continuing operations:		
Net gain/(loss) on change in fair value less costs to sell of plantation forest assets	6,671	(83,400)
Loss on early termination of lease	(79)	–
Loss on disposal of property, plant and equipment	–	(121)
Exchange losses, net	–	(6,537)
Gain on disposal of a subsidiary	–	494
Gain on disposal of right-of-use assets	–	59
	<u>6,592</u>	<u>(89,505)</u>
Other gain/(losses), net from continuing operations	<u>6,592</u>	<u>(89,505)</u>
Discontinued operation:		
Impairment losses recognised in respect of loans receivables	–	(6,330)
	<u>–</u>	<u>(6,330)</u>
Other losses, net from discontinued operation	<u>–</u>	<u>(6,330)</u>
Total other gains/(losses), net	<u>6,592</u>	<u>(95,835)</u>

8. FINANCE COSTS

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000
Continuing operations:		
Interest on:		
– promissory notes payable	1,205	7,257
– corporate bonds payable	5,491	13,359
– lease liabilities	17	175
	<u>6,713</u>	<u>20,791</u>

9. LOSS BEFORE TAX

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000 (Restated)
Continuing operations:		
Loss before tax has been arrived at after charging:		
Directors' emoluments	2,417	2,973
Other staff costs	<u>865</u>	<u>5,804</u>
Total staff costs	<u>3,282</u>	<u>8,777</u>
Auditors' remuneration		
– audit services	–	–
– non-audit services	165	356
Cost of inventories recognised and timber harvested	3,864	–
Depreciation charge in respect of:		
– property, plant and equipment	–	157
– right-of-use assets	966	4,394
Short-term lease expenses	<u>523</u>	<u>73</u>
Discontinued operation:		
Loss before tax has been arrived at after charging:		
Directors' emoluments	–	213
Other staff costs	<u>–</u>	<u>167</u>
Total staff costs	<u>–</u>	<u>380</u>
Auditors' remuneration		
– audit services	–	–
– non-audit services	–	–
Cost of inventories recognised	–	–
Depreciation charge in respect of:		
– property, plant and equipment	–	2
– right-of-use assets	–	–
Short-term lease expenses	<u>–</u>	<u>–</u>

10. INCOME TAX EXPENSE

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000
Continuing operations:		
PRC Enterprise Income Tax	<u>2</u>	<u>-</u>
Income tax expense	<u><u>2</u></u>	<u><u>-</u></u>

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%. In the prior year, Hong Kong Profits Tax was calculated at 16.5% on the assessable profits for that year. No provision for Hong Kong Profits Tax of the current and prior periods has been made in the unaudited condensed consolidated interim financial statements as the Group has no assessable profit subject to tax in respect of both of the periods.

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 PRC Enterprise Income 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 periods presented.

11. 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 condensed consolidated interim financial statements.

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

	<i>Notes</i>	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000
Revenue	4	-	6,330
Other losses, net	7	-	(6,330)
Administrative expenses		<u>-</u>	<u>(2,320)</u>
Loss before tax		-	(2,320)
Income tax expense		<u>-</u>	<u>-</u>
Loss for the period		<u><u>-</u></u>	<u><u>(2,320)</u></u>

12. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 December 2021 (twelve months ended 31 December 2020: Nil) nor had any dividend been proposed since the end of the reporting period.

13. LOSS PER SHARE

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

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000
Loss		
Loss for the purposes of basic loss per share from continuing operations		
Loss for the period from continuing operations attributable to owners of the Company	<u>(5,458)</u>	<u>(156,132)</u>
Loss for the purpose of basic loss per share from continuing and discontinued operations		
Loss for the period attributable to owners of the Company	<u>(5,458)</u>	<u>(158,452)</u>
	Six months ended 31 December 2021 (Unaudited) '000	Twelve months ended 31 December 2020 (Unaudited) '000
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic loss per share	<u>11,024,220</u>	<u>11,024,220</u>

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

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group had not acquired any property, plant and equipment (twelve months ended 31 December 2020: Nil). Depreciation of property, plant and equipment recognised in respect of the current period amounted to approximately RMB Nil (twelve months ended 31 December 2020: RMB159,000).

15. PLANTATION FOREST ASSETS

	Hengchang Forest <i>(Note (a))</i> <i>RMB'000</i>	Kunlin Forest <i>(Note (b))</i> <i>RMB'000</i>	Senbo Forest <i>(Note (c))</i> <i>RMB'000</i>	Ruixiang Forest <i>(Note (d))</i> <i>RMB'000</i>	Wantai Forest <i>(Note (e))</i> <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	149,000	53,300	64,200	130,000	118,000	514,500
Harvested timber transferred to cost of inventories sold	–	–	–	–	–	–
Changes in fair value less costs to sell	<u>(136,300)</u>	<u>(48,500)</u>	<u>(57,900)</u>	<u>(126,860)</u>	<u>(114,800)</u>	<u>(484,360)</u>
At 30 June 2021 and 1 July 2021 (audited)	12,700	4,800	6,300	3,140	3,200	30,140
Harvested timber transferred to cost of inventories sold	–	–	–	(1,791)	(4,965)	(6,756)
Changes in fair value less costs to sell	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,756</u>	<u>4,915</u>	<u>6,671</u>
At 31 December 2021 (unaudited)	<u>12,700</u>	<u>4,800</u>	<u>6,300</u>	<u>3,105</u>	<u>3,150</u>	<u>30,055</u>

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 the Hengchang Forest was harvested (twelve months ended 31 December 2020: Nil). As at 31 December 2021, the Hengchang Forest is estimated to comprise approximately 1,389 hectares (30 June 2021: 1,389 hectares) of cypress with no tree plantations aged 40 years or older.

(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 was harvested (twelve months ended 31 December 2020: Nil). As at 31 December 2021, the Kunlin Forest is estimated to comprise of approximately 642 hectares (30 June 2021: 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 was harvested (twelve months ended 31 December 2020: Nil). As at 31 December 2021, the Senbo Forest is estimated to comprise of approximately 881 hectares (30 June 2021: 881 hectares) of cypress with approximately 169 hectares (30 June 2021: 169 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 of 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, timber logs of approximately 2,242 cubic metres (twelve months ended 31 December 2020: Nil) in respect of the Ruixiang Forest were harvested and the fair value of the timber logs harvested amounted to approximately RMB1,791,000 (twelve months ended 31 December 2020: Nil), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2021, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares (30 June 2021: 2,044 hectares) of cypress trees with approximately 9 hectares (30 June 2021: 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 of 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, timber logs of approximately 3,762 cubic metres (twelve months ended 31 December 2020: Nil) in respect of Wantai Forest was harvested and the fair value of the timbers logs harvested amounted to approximately RMB4,965,000 (twelve months ended 31 December 2020: Nil), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2021, the Wantai Forest is estimated to comprise approximately 2,854 hectares (30 June 2021: 2,854 hectares) of cypress with no tree plantations with aged 40 years or older.

(f) **Valuation of plantation forest assets**

Management is of the view that the fair value less cost to sell of the Group’s plantation forest assets at 31 December 2021 approximates those as at 30 June 2021.

(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.

16. TRADE AND OTHER RECEIVABLES

	31 December 2021 (Unaudited) RMB'000	30 June 2021 (Audited) RMB'000
Trade receivables	7,668	5,673
Other receivables	1,195	679
	<u>8,863</u>	<u>6,352</u>

The Group generally allows an average credit period of 90 days (30 June 2021: 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 the invoice dates:

	31 December 2021 (Unaudited) RMB'000	30 June 2021 (Audited) RMB'000
0–90 days	–	5,673
91–180 days	6,905	–
181–365 days	763	–
Over 365 days	–	–
	<u>7,668</u>	<u>5,673</u>

17. LOAN RECEIVABLES

	31 December 2021 (Unaudited) <i>RMB'000</i>	30 June 2021 (Audited) <i>RMB'000</i>
Loan and interests thereon receivable within one year	126,282	121,349
Less: Impairment loss recognised	(126,282)	(121,349)
	<u> </u>	<u> </u>
	–	–
	<u><u> </u></u>	<u><u> </u></u>

18. TRADE AND OTHER PAYABLES

	31 December 2021 (Unaudited) <i>RMB'000</i>	30 June 2021 (Audited) <i>RMB'000</i>
Trade payables (<i>note b</i>)	86	4,713
Consideration payable for acquisition of subsidiary	6,851	6,973
Amounts due to former directors (<i>note c</i>)	1,088	1,107
Other payables	20,991	21,021
Deposits received	–	22
Accrued charges	13,668	11,122
Interests payable on promissory notes payable and corporate bonds payable	17,387	12,392
	<u> </u>	<u> </u>
	60,071	57,350
	<u><u> </u></u>	<u><u> </u></u>

Notes:

(a) 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.

(b) The following is an aged analysis of trade payables presented based on invoice dates:

	31 December 2021 (Unaudited) <i>RMB'000</i>	30 June 2021 (Audited) <i>RMB'000</i>
0–30 days	–	4,701
31–90 days	–	–
Over 90 days	86	12
	<u> </u>	<u> </u>
	86	4,713
	<u><u> </u></u>	<u><u> </u></u>

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

19. PROMISSORY NOTES PAYABLE

	31 December 2021 (Unaudited) RMB'000	30 June 2021 (Audited) RMB'000
Promissory notes payable within one year:		
– issued on 6 June 2017 (<i>note a</i>)	20,463	20,830
– issued on 15 August 2018 (<i>note b</i>)	<u>30,650</u>	<u>31,197</u>
	<u>51,113</u>	<u>52,027</u>

Notes:

(a) Promissory note issued on 6 June 2017 (the “Note A”)

On 6 June 2017, the Company issued the 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.

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, pursuant to which the parties thereto agreed to extend the maturity date of the Note A, with the 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 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 RMB129,473,000) as valued by Ascent Partners, using the effective interest rate of 12.21% per annum.

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

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 to RMB21,825,000) as valued by B.I. Appraisals, an external valuer, using the effective interest rate of 23.27% per annum.

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

20. CORPORATE BONDS PAYABLE

	31 December 2021 (Unaudited) RMB'000	30 June 2021 (Audited) RMB'000
Unsecured corporate bonds payable:		
– Within one year	203,508	197,271
– More than one year, but not exceeding two years	9,560	9,434
– More than two years, but not exceeding five years	38,328	47,753
	251,396	254,458
Less: Amount shown under current liabilities	(203,508)	(197,271)
Amount shown under non-current liabilities	47,888	57,187

- (a) On 31 December 2021, the unsecured corporate bonds with the principal amount of approximately HK\$279,889,000 (30 June 2021: HK\$279,769,000) remained outstanding, of which approximately HK\$138,683,000 has expired. The effective interest rate of the unsecured corporate bonds ranged from 4.15% to 15.92% per annum.

21. SHARE CAPITAL

	Number of ordinary shares <i>'000</i>	Nominal amount <i>HK\$'000</i>
<i>Authorised:</i>		
Ordinary shares of HK\$0.002 per share		
At 31 December 2021 (unaudited) and 30 June 2021 (audited)	50,000,000	100,000
	11,024,220	22,048
	19,016	

	Number of ordinary shares <i>'000</i>	Nominal amount <i>HK\$'000</i>	Carrying amount <i>RMB'000</i>
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.002 per share			
At 31 December 2021 (unaudited) and 30 June 2021 (audited)	11,024,220	22,048	19,016

22. PLEDGE OF ASSETS

As at 31 December 2021 and 30 June 2021, there was no pledge of assets of the Group.

23. RELATED PARTY TRANSACTIONS

In additions to the transactions with related parties disclosed elsewhere in the condensed consolidated interim financial statements, the Group entered into the following related party transactions during the period.

Remuneration of directors and other members of key management:

	Six months ended 31 December 2021 (Unaudited) RMB'000	Twelve months ended 31 December 2020 (Unaudited) RMB'000
Salaries and other allowances	2,751	4,922
Retirement benefits scheme contributions	26	82
	<u>2,777</u>	<u>5,004</u>

24. 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 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 31 December 2021 presented in the condensed 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 filed a writ of summon against the Company in respect of 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 31 December 2021 was approximately HK\$1,219,000 which has been included in other payables as that date.

(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 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.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND EVENTS AFTER REPORTING PERIOD

Suspension of trading of shares of the Company and appointment of JPLs (for restructuring purposes only)

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 Listing Rules. The trading of the Company’s shares on the 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 announcement, 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.

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 announcement, out of the HK\$26 million credit facility under the Funding Agreement, approximately HK\$15.0 million has been drawn down by the Company.

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 joint announcement made by the Company and the Investor 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.

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.

PROSPECTS

During the Reporting Period, the Group has obtained logging permits for the calendar year of 2021 in July 2021 with logging quantity of 6,003.3 cubic meters in aggregate and has brought revenue to the Group. 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 August 2022. The ginseng planted and sold by the Group is a compound hybridisation breed with traditional wild ginseng grown in the north or cold regions and other different varieties of ginseng, the key highlight of which is it can be planted indoor/under-forest 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 Reporting Period, the Company recorded a revenue of approximately RMB3.8 million (Previous Period: approximately RMB0.3 million). The Group's revenue for the Reporting Period was attributable to the revenue from the forestry business and container houses business of the Group.

Gross Profit

The Group recorded a gross loss of approximately RMB0.087 million for the Reporting Period (Previous Period : gross profit of approximately RMB0.3 million). Such decrease was mainly due to (i) no gross profit arising from forestry business for the Reporting Period as the Group obtained logging permits in July 2021 for the calendar year of 2021 with logging quantity of 6,003.3 cubic meters in aggregate which was measured at its fair value less costs to sell at point of harvest and the deemed cost of sales was almost the same as revenue and (ii) in the prior period of the eighteen months ended 30 June 2021, certain goods were purchased by the Group at the total cost of approximately RMB3,414,000 and such goods were then sold to a customer for an aggregate sale price of approximately RMB3,535,000, accordingly the sale and purchase of the goods were recognised as the Group's revenue and cost of sales respectively for that period. During the Reporting Period, the customer claimed the relevant goods to be defective and made returns of these goods to the Group and the Group in turn returned such goods to the supplier, which resulted in the recognition of such sale returns of approximately RMB3,535,000 and purchase returns of approximately RMB3,414,000 against the Group's revenue and cost of sales respectively for the Reporting Period.

Selling and Distribution Expenses

The selling and distribution expenses recognised for the Reporting Period amounted to approximately RMB0.3 million (Previous Period: RMB0.2 million). The selling and distribution costs were mainly attributable to the venue rental expense for the container houses business.

Administrative Expenses

The administrative expenses decreased approximately 89.5% from approximately RMB46.5 million for the Previous Period to approximately RMB4.9 million for the Reporting Period. The decrease in administrative expenses was mainly attributable to directors' remuneration and depreciation of right-of-use assets.

Other Gains/Losses, net

For the Reporting Period, the Group recorded approximately RMB6,592,000 other gains (Previous Period: other losses approximately RMB89.5 million). Other gains mainly consisted of net gain on change in fair value less costs to sell of plantation forest assets of approximately RMB6,671,000.

Finance Costs

For the Reporting Period, the Group recorded finance costs of approximately RMB6.7 million, representing a decrease of approximately 67.8% as compared to approximately RMB20.8 million for the Previous Period. 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\$279,889,000 bearing interest rates ranged from 4.15% to 15.92% per annum.

Loss and Total Comprehensive Income Attributable to Owners of the Company

The Company recorded a loss of approximately RMB5.5 million for the Reporting Period as compared to a loss of approximately RMB158.5 million for the Previous Period. The total comprehensive income attributable to owners of the Company was approximately RMB1.1 million for the Reporting Period as compared to the total comprehensive expense of approximately RMB130.2 million for the Previous Period.

Basic Loss per Share

Basic loss per share for the Reporting Period amounted to RMB0.05 cents (Previous Period: RMB1.44 cents).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 16 employees and management personnel as compared to 34 employees and management personnel as at 31 December 2020. Total staff costs for the Reporting Period, including Directors' remuneration, amounted to approximately RMB3.3 million (Previous Period: RMB9.2 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, other borrowings and certain net proceeds from fund raising activities. As at 31 December 2021, the Group had total assets of approximately RMB86.6 million and net liabilities of approximately RMB276.2 million. The Group's cash and bank balances as at 31 December 2021 amounted to approximately RMB0.3 million. As at 31 December 2021, there was no unutilised banking facilities (30 June 2021: 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 31 December 2021, the Note A with the principal amount of HK\$23,800,000 (30 June 2021: HK\$23,800,000) remained outstanding and overdue.

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

Corporate bonds

During the eighteen months ended 30 June 2021, the Company entered into subscription agreements with 4 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 approximately HK\$6.2 million at par value, bearing interest rate of 8% per annum and maturity date is about 1 year from the date of issue.

At 31 December 2021, the corporate bonds with the principal amount of HK\$279,889,000 (30 June 2021: HK\$279,769,000) remained outstanding and overdue.

PLEDGE ON ASSETS

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

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 31 December 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 announcement, 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.

CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 31 December 2021.

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. 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 Reporting Period, 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 418.8% as at 31 December 2021 (30 June 2021: 419.1%). As at 31 December 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\$279.9 million remained outstanding.

CAPITAL STRUCTURE

The share capital of the Company comprises only ordinary shares. As at 31 December 2021, the total number of the ordinary shares of the Company in issue was 11,024,220,415 shares (30 June 2021: 11,024,220,415 shares). The total deficit on equity attributable to owners of the Company was approximately RMB276.2 million (30 June 2021: total equity deficit of approximately RMB277.3 million).

CAPITAL COMMITMENTS

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

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 this announcement, 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.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

Save as disclosed in this announcement, there were no significant investment held or material acquisitions and disposals of subsidiaries for the Reporting Period (Previous Period: nil).

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, reported 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 understands this principal and thus maintain close relationship with the customers to fulfil their immediate and long-term need. The Group encompasses working relationships with suppliers to meet our customer's needs in an effective and efficient manner. The Group works closely and well communicated to suppliers before the commencement of a project.

PRINCIPAL RISKS 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 Reporting Period were denominated in foreign currencies. Substantially all of the costs incurred for the Reporting Period were denominated in functional currencies of the group entities.

At 31 December 2021, 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 31 December 2021, 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 31 December 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (Previous Period: nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the Reporting Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

The Group did not have any material acquisition or disposal of subsidiaries or associated companies during the Reporting Period.

COMPETING INTEREST

During the Reporting Period, 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the service contracts and letters of appointment entered into with the respective Directors, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or any time during the Reporting Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

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 Reporting Period, 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, 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 six months ended 31 December 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 31 December 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 provide support to the 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 31 December 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. 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.

Non-compliance of the Listing Rules

On 13 September 2021, Ms. Hui Hing Conniel (“**Ms. Hui**”) and Mr. Lai Chi Yin Samuel (“**Mr. Lai**”) were appointed as executive Directors. Following the appointment of Ms. Hui and Mr. Lai, the Company fails 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 13 September 2021. On 30 June 2022, Ms. Wong Hoi Ying, Mr. Wang Yibin and Mr. Guo Zhonglong were appointed as independent non-executive Directors. The Company then re-complied with the requirements under Rules 3.10A and 3.11 of the Listing Rules.

CODE OF CONDUCT REGARDING 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 the Directors, the Company confirmed that all the Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the Reporting Period.

AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) in accordance with the requirements of the Code Provisions as set up in Appendix 14 of the Listing Rules. As at the date of this announcement, the Audit Committee has four members comprising our four independent non-executive Directors, namely Ms. Wong Hoi Ying, Mr. Liu Zhaoxiang, Mr. Wang Yibin and Mr. Guo Zhonglong. Ms. Wong Hoi Ying has been appointed as the chairman of the Audit Committee

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company’s interim and annual reports.

The Group’s unaudited interim financial statements for the Reporting Period have been reviewed by the Audit Committee.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company’s website at www.caflc.co. The interim report for Reporting Period of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

RESUMPTION GUIDANCE

The Stock Exchange has imposed the Resumption Guidance for the Company as detailed under the section headed “Listing status of the Company” in this announcement.

The Company is taking appropriate steps to remedy the issues causing the Suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in the shares is allowed to resume.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 4 October 2021 and will remain suspended until further notice. The Company will keep its shareholders and the public informed of the latest development by making further announcement(s) as and when appropriate.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

By order of the Board
China Bozza Development Holdings Limited
(Provisional Liquidators Appointed)
(For Restructuring Purposes)
Professor Fei Phillip
Chairman and Executive Director

Hong Kong, 28 February 2023

As at the date of this announcement, the Board comprises Professor Fei Phillip, Mr. Li Wenjun, Mr. Wang Yue, Ms. Hui Hing Conniel and Mr. Lai Chi Yin Samuel as the executive Directors; and Mr. Gu Sotong as the non-executive Director; and Mr. Liu Zhaoxiang, Ms. Wong Hoi Ying, Mr. Wang Yibin and Mr. Guo Zhonglong as the independent non-executive Directors.