



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)

2022 INTERIM REPORT

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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
Mr. Lai Chi Yin Samuel

Non-executive Director

Mr. Gu Sotong

Independent non-executive Directors

Mr. Liu Zhaoxiang
Ms. Wong Hoi Ying
Mr. Wang Yibin
Mr. Guo Zhonglong

COMPANY SECRETARY

Mr. Chan Ngai Fan

AUTHORISED REPRESENTATIVES

Professor Fei Phillip
Mr. Chan Ngai Fan

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

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New Mandarin Plaza
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Tsim Sha Tsui, Kowloon
Hong Kong

Corporate Information

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

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

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

Management Discussion and Analysis

BUSINESS REVIEW AND EVENTS AFTER REPORTING PERIOD

Suspension of trading of shares of China Bozza Development Holdings Limited (the “Company”) and appointment of joint provisional liquidators of the Company (“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 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.

Management Discussion and Analysis

As at the date of the publication of this 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.

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 of the Company (the **"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.

Management Discussion and Analysis

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 Company and its subsidiaries (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 the publication of this report, out of the HK\$26 million credit facility under the Funding Agreement, approximately HK\$16.0 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 (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 (the “**Special Deals**”).

Details of the Restructuring Framework Agreement has been announced in the joint announcement made by the Company and the Investor dated 30 December 2022 and the circular of the Company dated 3 March 2023.

Management Discussion and Analysis

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

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**”).

Management Discussion and Analysis

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.

Reference is made to the announcement of the Company dated 27 March 2023. The extraordinary general meeting of the Company (the **"EGM"**) was held on 27 March 2023 and the ordinary resolutions and special resolutions as set out in the EGM notice of the Company dated 3 March 2023 were duly passed by the Independent Shareholders by way of poll. As such, the transactions under the Restructuring Framework Agreement and the Subscription Agreement were approved by the Independent Shareholders.

Reference is made to the announcement of the Company dated 25 April 2023. On 18 April 2023, the Hong Kong Court has granted an order for the Company to convene a meeting of the Creditors (the **"Creditors' Meeting"**). The Creditors' Meeting will be held at 29th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong at 4:00 p.m. on Thursday, 18 May 2023 for the purpose of considering and, if thought fit, approving the Creditors' Scheme. If the Creditors' Scheme is approved by the requisite majority of the Creditors at the Creditors' Meeting, the sanction hearing of the Creditors' Scheme before the Hong Kong Court is expected to be held on 9 June 2023.

Notwithstanding the above, completion of the Proposed Restructuring is still subject to the fulfilment of various conditions. There is therefore no assurance that the Proposed Restructuring will be materialised. Further announcement will be made by the Company as and when appropriate.

PROSPECTS

During the six months ended 31 December 2022 (**"Reporting Period"**), the Group has obtained the logging permits for the calendar year of 2022 in November 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.

Management Discussion and Analysis

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 from continuing operations of approximately RMB23.0 million (six months ended 31 December 2021 (the "Previous Period"): approximately RMB6.8 million). The Group's revenue for the Reporting Period was attributable to the revenue from the forestry business and ginseng business of the Group. The Group's container houses business and money lending business were classified as discontinued operations during the Reporting Period and the Previous Period respectively.

Gross Profit

The Group recorded a gross profit from continuing operations of approximately RMB5.1 million for the Reporting Period (Previous Period : nil).

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations recognised for the Reporting Period amounted to approximately RMB0.6 million (Previous Period: appropriately RMB1,000). The selling and distribution costs were mainly attributable to the advertising expense for the ginseng business.

Administrative Expenses

The administrative expenses from continuing operations increased appropriately 22.5% from approximately 4.4 million for the Previous Period to approximately 5.4 million for the Reporting Period. The increase in administrative expenses was mainly attributable to the legal and professional fees for resumption.

Management Discussion and Analysis

Other Gains, net

For the Reporting Period, the Group recorded approximately RMB8.6 million other gains from continuing operations (Previous Period: approximately RMB6.6 million). Other gains mainly consisted of net gain on change in fair value less costs to sell of plantation forest assets of approximately RMB8,580,000.

Finance Costs

For the Reporting Period, the Group recorded finance costs from continuing operations of approximately RMB9.0 million, representing an increase of approximately 33.6% as compared to approximately RMB6.7 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\$279,769,000 bearing interest rates ranged from 4.00% to 11.33% per annum.

Loss and Total Comprehensive (Expense)/Income Attributable to Owners of the Company

The Company recorded a loss of approximately RMB1.2 million for the Reporting Period as compared to a loss of approximately RMB5.5 million for the Previous Period. The total comprehensive expense attributable to owners of the Company was approximately RMB14.6 million for the Reporting Period as compared to the total comprehensive income of approximately RMB1.1 million for the Previous Period.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had a total of 16 employees and management personnel as compared to 16 employees and management personnel as at 31 December 2021. Total staff costs for the Reporting Period, including Directors' remuneration, amounted to approximately RMB2.2 million (Previous Period: RMB3.3 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.

Management Discussion and Analysis

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 2022, the Group had total assets of approximately RMB114.9 million and net liabilities of approximately RMB321.3 million. The Group's cash and bank balances as at 31 December 2022 amounted to approximately RMB9.4 million. As at 31 December 2022, there was no unutilised banking facilities (30 June 2022: 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 British Virgin Islands (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 2022, the Note A with the principal amount of HK\$23,800,000 (30 June 2022: HK\$23,800,000) remained outstanding and overdue.

Management Discussion and Analysis

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 2022, the Note B with the principal amount of HK\$34,100,000 (30 June 2022: 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 2022, the corporate bonds with the principal amount of HK\$279,769,000 (30 June 2022: HK\$279,769,000) remained outstanding and overdue, of which approximately HK\$228,769,000 has expired.

PLEDGE ON ASSETS

As at 31 December 2022, there was no pledge of assets of the Group (30 June 2022: 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.

Management Discussion and Analysis

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 2022.

Management Discussion and Analysis

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 379.6% as at 31 December 2022 (30 June 2022: 427.9%). As at 31 December 2022, 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, of which approximately HK\$228,769,000 has expired.

CAPITAL STRUCTURE

The share capital of the Company comprises only ordinary shares. As at 31 December 2022, the total number of the ordinary shares of the Company in issue was 11,024,220,415 shares (30 June 2022: 11,024,220,415 shares). The total deficit on equity attributable to owners of the Company was approximately RMB321.3 million (30 June 2022: total equity deficit of approximately RMB306.6 million).

CAPITAL COMMITMENTS

The Group has no capital commitments as at 31 December 2022 (30 June 2022: nil).

Management Discussion and Analysis

UPDATE OF THE PROFIT GUARANTEE IN RELATION TO THE ACQUISITION OF HENGFUDELAI SI

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) (“**Hengfudelai si**”). 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 Hengfudelai si 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 Hengfudelai si) (“**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, Mr. Lai Liangduo* (黎良多), Mr. Liu Jianpu* (劉建甫), Mr. He Hongxing* (何紅星), Mr. Jin Changsheng* (金昌勝) and Mr. Xu Honggang* (許洪剛) who collectively owned Hengfudelai si as at 27 June 2016 (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.

On 28 April 2023, the Company has entered into a settlement agreement with the Vendors, pursuant to which the parties have agreed to terminate the conditional agreement dated 22 April 2016 entered into between the Company and the Vendors in relation to the acquisition of Hengfudelai si. Each of the parties has covenanted not to bring any claim against the other party(ies) in relation to the acquisition of Hengfudelai si. For further details, please refer to the announcement of the Company dated 28 April 2023.

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL

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

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 2022, 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 2022, 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 2022, 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).

Other Information and Corporate Governance

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

As at 31 December 2022, 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)
Wang Yue (Note 2)	Beneficial owner	Long Position	3,197,023,920	29.00
Hui Hing Conniel	Beneficial owner	Long Position	10,000,000	0.09

Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2022 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.

Other Information and Corporate Governance

Save as disclosed above, as at 31 December 2022, 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.

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.

Other Information and Corporate Governance

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

OTHER CHANGES IN DIRECTORS' INFORMATION

Other changes in Directors' information of the Company subsequent to the publication of the 2022 annual report are set out below:

Mr. Lai Chi Yin Samuel ceased to be 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, from 23 June 2022.

Save for those disclosed above, there is no other information in respect of Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Other Information and Corporate Governance

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 C.1.8 and D.1.2 as addressed below:

1. Under Code Provision C.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. As at 31 December 2022, 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 D.1.2, 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.

Other Information and Corporate Governance

BOARD COMPOSITION

As at 31 December 2022, the Directors were as follows:

Executive Directors:

Professor Fei Phillip (*Chairman*)
Mr. Li Wenjun (*Chief Executive Officer*)
Mr. Wang Yue
Ms. Hui Hing Conniel
Mr. Lai Chi Yin Samuel

Non-executive Directors:

Mr. Gu Sotong

Independent non-executive Directors:

Mr. Liu Zhaoxiang
Ms. Wong Hoi Ying
Mr. Wang Yibin
Mr. Guo Zhonglong

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 the publication of this report, 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

Other Information and Corporate Governance

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.

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 report.

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.

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 April 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022

		Six months ended	
		31 December	
	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Continuing operations			
Revenue	4	23,021	6,756
Cost of sales and services		(17,952)	(6,756)
Gross profit		5,069	–
Investment and other income	6	4	32
Other gains, net	7	8,580	6,592
Selling and distribution expenses		(551)	(1)
Administrative expenses		(5,379)	(4,391)
Finance costs	8	(8,967)	(6,713)
Loss before tax	9	(1,244)	(4,481)
Income tax expense	10	–	–
Loss for the period from continuing operations		(1,244)	(4,481)
Discontinued operations			
Loss for the period from discontinued operations	11	–	(977)
Loss for the period		(1,244)	(5,458)
Other comprehensive (expense)/income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(13,390)	6,565
Other comprehensive (expense)/income for the period		(13,390)	6,565
Total comprehensive (expense)/income for the period		(14,634)	1,107

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2022

	Notes	Six months ended 31 December 2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Loss for the period attributable to owners of the Company			
– Continuing operations		(1,244)	(4,481)
– Discontinued operations		–	(977)
Loss for the period		(1,244)	(5,458)
Total comprehensive (expense)/income for the period attributable to owners of the Company			
– Continuing operations		(14,634)	2,084
– Discontinued operations		–	(977)
Total comprehensive (expense)/income for the period		(14,634)	1,107
		RMB cents	RMB cents
Loss per share from continuing operations	13		
Basic		(0.01)	(0.04)
Diluted		N/A	N/A
Loss per share from continuing and discontinued operations	13		
Basic		(0.01)	(0.05)
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	14	29	28
Right-of-use assets	15	43,901	44,633
Plantation forest assets	16	35,910	35,910
Plantation ginseng assets		15,963	–
Goodwill		–	–
		95,803	80,571
Current assets			
Trade and other receivables	17	5,424	5,532
Loans receivables	18	–	–
Deposits and prepayments		4,234	6,308
Bank balances and cash		9,430	1,106
		19,088	12,946
Current liabilities			
Trade and other payables	19	100,436	78,059
Promissory notes payable	20	55,481	53,429
Corporate bonds payable	21	235,647	216,203
Income tax payable		125	120
		391,689	347,811
Net current liabilities		(372,601)	(334,865)
Total assets less net current liabilities		(276,798)	(254,294)
Non-current liabilities			
Corporate bonds payable	21	44,471	52,341
		(44,471)	(52,341)
Net liabilities		(321,269)	(306,635)
Capital and reserves			
Share capital	22	19,016	19,016
Reserves		(340,285)	(325,651)
Total deficit on equity		(321,269)	(306,635)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2022

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
At 1 July 2021 (audited)	19,016	807,536	10,108	18,038	(1,132,017)	(277,319)
Loss for the period	-	-	-	-	(5,458)	(5,458)
Other comprehensive income for the period	-	-	6,565	-	-	6,565
Total comprehensive income/(expenses) for the period	-	-	6,565	-	(5,458)	1,107
At 31 December 2021 (unaudited)	19,016	807,536	16,673	18,038	(1,137,475)	(276,212)
Loss for the period	-	-	-	-	(13,442)	(13,442)
Other comprehensive expense for the period	-	-	(16,981)	-	-	(16,981)
Total comprehensive expense for the period	-	-	(16,981)	-	(13,442)	(30,423)
At 30 June 2022 and 1 July 2021 (audited)	19,016	807,536	(308)	18,038	(1,150,917)	(306,635)
Loss for the period	-	-	-	-	(1,244)	(1,244)
Other comprehensive expense for the period	-	-	(13,390)	-	-	(13,390)
Total comprehensive expense for the period	-	-	(13,390)	-	(1,244)	(14,634)
At 31 December 2022 (unaudited)	19,016	807,536	(13,698)	18,038	(1,152,161)	(321,269)

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2022

	Six months ended 31 December	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Net cash generated from/(used in) operating activities	24,284	(1,350)
Net cash (used in)/generated from investing activities	(15,960)	1
Net cash used in financing activities	–	(127)
Net increase/(decrease) in cash and cash equivalents	8,324	(1,476)
Cash and cash equivalents at beginning of the period	1,106	1,819
Cash and cash equivalents at end of the period, represented by bank balances and cash	9,430	343

Notes to Condensed Consolidated Interim Financial Statements

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 30 April 2023, the date of approval of these condensed consolidated interim financial statements.

The Group is principally engaged in forestry management, ginseng plantation and trading 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 JPLs 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.

Restatement of comparative information for the six months ended 31 December 2021

As set out in note 11, the Group ceased its container houses business during the year ended 30 June 2022. Accordingly, the results of the Group's container houses 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 six months ended 31 December 2021 has been restated to conform with the current period's presentation.

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

Notes to Condensed Consolidated Interim Financial Statements

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 Listing Rules.

Going concern

Notwithstanding that (a) the Group incurred net loss of approximately RMB1,244,000 for the six-month period ended 31 December 2022 and, as of that date, the Group’s net liabilities amounted to approximately RMB321,269,000; and (b) the current liabilities of the Group at 31 December 2022 exceed its current assets at that date by approximately RMB372,601,000, 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 RMB55,481,000, RMB235,647,000 and RMB36,088,000 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 to be implemented.

- (i) On 23 August 2022, the Company entered into 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 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 (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 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 condensed consolidated financial statements, the credit facility to the extent of HK\$16 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;

Notes to Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

- (ii) On 30 December 2022, the Company and the JPLs entered into the Restructuring Framework Agreement with Zhonggangtong, pursuant to which the Company will implement 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 and the circular dated 3 March 2023 made by the Company; and
- (iii) Management of the Group will closely monitor the financial position of the Group and the Directors 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 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 condensed 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 condensed consolidated financial statements on a going concern basis.

Notes to Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

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 condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the accounting policy of plantation ginseng assets disclosed below, the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 31 December 2022 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 30 June 2022.

Plantation ginseng assets

Plantation ginseng assets are measured on initial recognition and at the end of each reporting period at their fair values less costs to sell. If the fair value of a plantation ginseng cannot be measured reliably, the Plantation ginseng asset shall be measured at its cost. Any resultant gain or loss arising from changes in fair value less costs to sell is charged to profit or loss for the period in which the gain or loss arises.

Agricultural produce harvested from the Group’s plantation ginseng assets are ginsengs. Agricultural produce is initially recognised as inventories at their fair values less costs to sell at the point of harvest, which are determined based on their market prices quoted in the local area. Any resultant gain or loss arising on initial recognition of such fair values is recognised in profit or loss in the period of harvest. Upon subsequent sales, such amount of the inventories initially recognised is charged to the cost of sales in profit or loss.

Notes to Condensed Consolidated Interim Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2022 for the preparation of the Group's condensed consolidated interim financial statements:

HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The application of 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 period and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to Condensed Consolidated Interim Financial Statements

4. REVENUE

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

	Six months ended 31	
	December	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Continuing operations:		
Revenue from sales of goods	23,021	6,756
Revenue from continuing operations	23,021	6,756
Discontinuing operations:		
Revenue from sales of goods	-	556
Sales return from sales and installation of container houses	-	(3,535)
Revenue from discontinued operations (Note 11)	-	(2,979)
Total revenue	23,021	3,777

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.

Notes to Condensed Consolidated Interim Financial Statements

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 container houses business and the Group's money lending business were classified as discontinued operations during the year ended 30 June 2022 and the prior period respectively 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) Ginseng Business – ginseng plantation and trading of related products.

Discontinued operations:

- (i) Money Lending Business – provision of money lending services; and
- (ii) Container Houses Business – provision of services in relation to management, leasing, sale and installation of container houses and related business.

Information regarding the above segments for the six months ended 31 December 2022 and 2021 is presented below.

Notes to Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

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 2022 (unaudited)

	Continuing operations			Discontinued operations			Total RMB'000
	Forestry Business RMB'000	Ginseng Business RMB'000	Sub total RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Sub total RMB'000	
Segment revenue	8,580	14,441	23,021	-	-	-	23,021
Segment profit/(loss)	7,489	3,344	10,833	-	-	-	10,833
Unallocated bank interest income							4
Other unallocated income							-
Other unallocated expenses							(3,114)
Finance costs							(8,967)
Loss before tax							(1,244)
Income tax expense							-
Loss for the period							(1,244)

Notes to Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (CONTINUED)

For the six months ended 31 December 2021 (unaudited)

	Continuing operation	Discontinued operations			Total RMB'000
	Forestry Business RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Sub total RMB'000	
Segment revenue	6,756	(2,979)	-	(2,979)	3,777
Segment profit/(loss)	5,708	(974)	-	(974)	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)

Notes to Condensed Consolidated Interim Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Segment assets		
Forestry Business	101,525	84,323
Ginseng Business	173	–
Total segment assets	101,698	84,323
Assets attributable to discontinued operations	–	1,315
Unallocated assets	13,193	7,879
Consolidated assets	114,891	93,517
	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Segment liabilities		
Forestry Business	13,218	5,958
Ginseng Business	2,284	–
Total segment liabilities	15,502	5,958
Liabilities attributable to discontinued operations	–	1,854
Unallocated liabilities	420,658	392,340
Consolidated liabilities	436,160	400,152

Notes to Condensed Consolidated Interim Financial Statements

6. INVESTMENT AND OTHER INCOME

	Six months ended 31 December	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Continuing operations:		
Bank interest income	3	1
Sundry income	1	31
	4	32
Discontinued operations:		
Bank interest income	-	1
	-	1
Total investment and other income	4	33

Notes to Condensed Consolidated Interim Financial Statements

7. OTHER GAINS, NET

	Six months ended 31 December	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Continuing operations:		
Net gain on change in fair value less costs to sell of plantation forest assets	8,580	6,671
Loss on early termination of lease	-	(79)
Total other gains, net	8,580	6,592

8. FINANCE COSTS

	Six months ended 31 December	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Continuing operations:		
Interest on:		
– promissory notes payable	1,301	1,205
– corporate bonds payable	7,666	5,491
– lease liabilities	-	17
	8,967	6,713

Notes to Condensed Consolidated Interim Financial Statements

9. LOSS BEFORE TAX

	Six months ended 31 December	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000 (Restated)
Continuing operations:		
Loss before tax has been arrived at after charging:		
Directors' emoluments	1,139	2,417
Other staff costs	1,029	502
Total staff costs	2,168	2,919
Auditors' remuneration		
– audit services	–	–
– non-audit services	178	165
Cost of inventories recognised and timber harvested	17,952	6,756
Depreciation charge in respect of:		
– right-of-use assets	732	966
Short-term lease expenses	692	523
Discontinued operations:		
Loss before tax has been arrived at after charging and crediting:		
Directors' emoluments	–	–
Other staff costs	–	363
Total staff costs	–	363
Auditors' remuneration		
– audit services	–	–
– non-audit services	–	–
Cost of inventories recognised	–	(2,892)
Depreciation charge in respect of:		
– right-of-use assets	–	–
Short-term lease expenses	–	–

Notes to Condensed Consolidated Interim Financial Statements

10. INCOME TAX EXPENSE

	Six months ended 31 December					
	Continuing operations		Discontinued operations		Total	
	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000	2022 (unaudited) RMB'000	2021 (unaudited) RMB'000
PRC Enterprise Income Tax	-	-	-	2	-	2
Income tax expense	-	-	-	2	-	2

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 and prior period 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 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 and ginseng business are entitled to full exemption from PRC Enterprise Income Tax in respect of both of the periods presented.

Notes to Condensed Consolidated Interim Financial Statements

11. DISCONTINUED OPERATION

The Group ceased its container houses business during the year ended 30 June 2022 and ceased its money lending business during the eighteen-month period ended 30 June 2021, which were regarded discontinued operations in the condensed consolidated financial statements.

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

		Six months ended 31 December	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	RMB'000	RMB'000
Revenue (Note below)	4	–	(2,979)
Cost of sales and services (Note below)		–	2,892
Gross Loss		–	(87)
Investment and other income	6	–	1
Selling and distribution expenses		–	(347)
Administrative expenses		–	(542)
Loss before tax		–	(975)
Income tax expense		–	(2)
Loss for the period		–	(977)

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 last 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 last period, and the revenue and cost of sales and services of the Group for last period had been arrived at after deducting the sale returns and purchase returns respectively.

12. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 December 2022 (six months ended 31 December 2021: Nil) nor had any dividend been proposed since the end of the reporting period.

Notes to Condensed Consolidated Interim Financial Statements

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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	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	(1,244)	(4,481)

Loss for the purpose of basic loss per share from continuing and discontinued operations		
Loss for the period attributable to owners of the Company	(1,244)	(5,458)

	Six months ended	
	31 December	
	2022	2021
	(Unaudited)	(Unaudited)
	'000	'000

Number of shares

Weighted average number of ordinary shares in issue during the period for the purpose of basic loss per share	11,024,220	11,024,220
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Diluted loss per share is not presented because there were no potentially dilutive ordinary shares in issue for both of the periods presented.

Notes to Condensed Consolidated Interim Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2022, the Group had not acquired any property, plant and equipment (31 December 2021: Nil). No depreciation of property, plant and equipment was recognised in respect of the current and prior periods.

15. RIGHT-OF-USE ASSETS

	Leased land RMB'000	Leased properties RMB'000	Total RMB'000
Carrying amount at 1 July 2021 (audited)	46,096	125	46,221
Additions, at cost	–	776	776
Depreciation provided for the year	(1,463)	(240)	(1,703)
Disposals	–	(661)	(661)
Carrying amount at 30 June 2022 and 1 July 2022 (audited)	44,633	–	44,633
Depreciation provided for the period	(732)	–	(732)
Carrying amount at 31 December 2022 (unaudited)	43,901	–	43,901

Notes to Condensed Consolidated Interim Financial Statements

16. PLANTATION FOREST ASSETS

	Hengchang Forest (Note (a)) RMB'000	Kunlin Forest (Note (b)) RMB'000	Senbo Forest (Note (c)) RMB'000	Ruixiang Forest (Note (d)) RMB'000	Wantai Forest (Note (e)) RMB'000	Total RMB'000
At 1 July 2021	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	100	530	720	1,311	9,865	12,526
At 30 June 2022 and 1 July 2022 (audited)	12,800	5,330	7,020	2,660	8,100	35,910
Harvested timber transferred to cost of inventories sold	(1,001)	(2,550)	(1,401)	(1,298)	(2,330)	(8,580)
Changes in fair value less costs to sell	1,001	2,550	1,401	1,298	2,330	8,580
At 31 December 2022 (unaudited)	12,800	5,330	7,020	2,660	8,100	35,910

Notes to Condensed Consolidated Interim Financial Statements

16. PLANTATION FOREST ASSETS (CONTINUED)

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 Muma Town, 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, timber logs of approximately 2,772 cubic metres (six months ended 31 December 2021: Nil) in respect of the Hengchang Forest was harvested and the fair value of the timber logs harvested amounted to approximately RMB1,001,000 (six months ended 31 December 2021: 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 2022, the Hengchang Forest is estimated to comprise approximately 1,389 hectares (30 June 2022: 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**"). At the date of acquisition, Excel Target Group included Jiange Kunlin Linye Company Limited, which is 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, timber logs of approximately 5,599 cubic metres (six months ended 31 December 2021: Nil) in respect of Kunlin Forest was harvested and the fair value of the timber logs harvested amounted to approximately RMB2,550,000 (six months ended 31 December 2021: 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 2022, the Kunlin Forest is estimated to comprise of approximately 642 hectares (30 June 2022: 642 hectares) of cypress with no tree plantations aged 40 years or older.

Notes to Condensed Consolidated Interim Financial Statements

16. PLANTATION FOREST ASSETS (CONTINUED)

Notes: (CONTINUED)

(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, timber logs of approximately 2,390 cubic metres (six months ended 31 December 2021: Nil) in respect of Senbo Forest was harvested and the fair value of the timber logs harvested amounted to approximately RMB1,401,000 (six months ended 31 December 2021: 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 2022, the Senbo Forest is estimated to comprise of approximately 881 hectares (30 June 2022: 881 hectares) of cypress with approximately 169 hectares (30 June 2022: 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 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 2,167 cubic metres (six months ended 31 December 2021: 2,242 cubic metres) in respect of the Ruixiang Forest were harvested and the fair value of the timber logs harvested amounted to approximately RMB1,298,000 (six months ended 31 December 2021: RMB1,791,000), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2022, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares (30 June 2022: 2,044 hectares) of cypress trees with approximately 9 hectares (30 June 2022: 9 hectares) of tree plantations with aged 40 years or older.

Notes to Condensed Consolidated Interim Financial Statements

16. PLANTATION FOREST ASSETS (CONTINUED)

Notes: (CONTINUED)

(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 3,720 cubic metres (six months ended 31 December 2021: 3,762 cubic metres) in respect of Wantai Forest was harvested and the fair value of the timbers logs harvested amounted to approximately RMB2,330,000 (six months ended 31 December 2021: RMB4,965,000), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2022, the Wantai Forest is estimated to comprise approximately 2,854 hectares (30 June 2022: 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 2022 approximates those as at 30 June 2022.

Notes to Condensed Consolidated Interim Financial Statements

16. PLANTATION FOREST ASSETS (CONTINUED)

Notes: (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 Condensed Consolidated Interim Financial Statements

17. TRADE AND OTHER RECEIVABLES

	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Trade receivables	3,282	3,751
Other receivables	2,142	1,781
	5,424	5,532

The Group generally allows an average credit period of 90 days (30 June 2022: 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 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
0–90 days	3,272	–
91–180 days	–	–
181–365 days	–	3,751
Over 365 days	10	–
	3,282	3,751

Notes to Condensed Consolidated Interim Financial Statements

18. LOAN RECEIVABLES

	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Loan and interests thereon receivable within one year	129,407	124,619
Less: Impairment loss recognised	(129,407)	(124,619)
	-	-

19. TRADE AND OTHER PAYABLES

	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Trade payables (note b)	6,716	280
Consideration payable for acquisition of subsidiary	7,436	7,161
Amounts due to former directors (note c)	1,181	1,139
Other payables	28,564	23,037
Accrued charges	20,451	19,069
Interests payable on promissory notes payable and corporate bonds payable	36,088	27,373
	100,436	78,059

Notes to Condensed Consolidated Interim Financial Statements

19. TRADE AND OTHER PAYABLES (CONTINUED)

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 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
0–30 days	6,436	–
31–90 days	–	–
Over 90 days	280	280
	6,716	280

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

20. PROMISSORY NOTES PAYABLE

	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Promissory notes payable within one year:		
– issued on 6 June 2017 (note a)	22,212	21,390
– issued on 15 August 2018 (note b)	33,269	32,039
	55,481	53,429

Notes to Condensed Consolidated Interim Financial Statements

20. PROMISSORY NOTES PAYABLE (CONTINUED)

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, 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 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 2022, the Note A with the principal amount of HK\$23,800,000 (30 June 2022: HK\$23,800,000) remained outstanding. The effective interest rate in respect of the Note A at 31 December 2022 is 5% per annum (30 June 2022: 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 2022, the Note B with the principal amount of HK\$34,100,000 (30 June 2022: HK\$34,100,000) remained outstanding. The effective interest rate in respect of the Note B at 31 December 2022 is 5% per annum (30 June 2022: 5% per annum).

Notes to Condensed Consolidated Interim Financial Statements

21. CORPORATE BONDS PAYABLE

	31 December 2022 (Unaudited) RMB'000	30 June 2022 (Audited) RMB'000
Unsecured corporate bonds payable:		
– Within one year	235,647	216,203
– More than one year, but not exceeding two years	33,496	40,722
– More than two years, but not exceeding five years	10,975	11,619
	280,118	268,544
Less: Amount shown under current liabilities	(235,647)	(216,203)
Amount shown under non-current liabilities	44,471	52,341

On 31 December 2022, the unsecured corporate bonds with the principal amount of approximately HK\$279,769,000 (30 June 2022: HK\$279,769,000) remained outstanding, of which approximately HK\$228,769,000 has expired. The effective interest rate of the unsecured corporate bonds ranged from 4.00% to 11.33% per annum (30 June 2022: 4.00% to 11.33% per annum).

Notes to Condensed Consolidated Interim Financial Statements

22. SHARE CAPITAL

	Number of ordinary shares '000	Nominal amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.002 per share		
At 31 December 2022 (unaudited) and 30 June 2022 (audited)	50,000,000	100,000

	Number of ordinary shares '000	Nominal amount HK\$'000	Carrying amount RMB'000
<i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.002 per share			
At 31 December 2022 (unaudited) and 30 June 2022 (audited)	11,024,220	22,048	19,016

Notes to Condensed Consolidated Interim Financial Statements

23. PLEDGE OF ASSETS

As at 31 December 2022 and 30 June 2022, there was no pledge of assets of the Group.

24. RELATED PARTY TRANSACTIONS

In addition 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	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Salaries and other allowances	1,670	2,751
Retirement benefits scheme contributions	7	26
	1,677	2,777

Notes to Condensed Consolidated Interim Financial Statements

25. 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 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 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 2022 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.

Notes to Condensed Consolidated Interim Financial Statements

25. LITIGATIONS AND DEBT RESTRUCTURING (CONTINUED)

(b) Claims

On 7 August 2020, the Landlord filed 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 2022 was approximately HK\$1,219,000 (30 June 2022: 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.

Notes to Condensed Consolidated Interim Financial Statements

25. LITIGATIONS AND DEBT RESTRUCTURING (CONTINUED)

(c) Debt Restructuring (Continued)

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, an independent third party, and the JPLs have entered into 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.

Notes to Condensed Consolidated Interim Financial Statements

25. LITIGATIONS AND DEBT RESTRUCTURING (CONTINUED)

(c) Debt Restructuring (Continued)

On 30 December 2022, the Company, the JPLs and Zhonggangtong entered into the Restructuring Framework Agreement, pursuant to which the Company will implement 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 and circular dated 3 March 2023.