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

**FULFILMENT OF RESUMPTION GUIDANCE AND
RESUMPTION OF TRADING**

Financial Adviser to the Company



Reference is made to the Company's (i) announcements dated 3 December 2020, 9 December 2020, 28 January 2021, 11 May 2021 and 29 October 2021 in relation to, among other things, Professor Fei Phillip's filing of a winding up petition against the Company at the Grand Court of the Cayman Islands, the application by the Company for the appointment of joint provisional liquidators to the Company for restructuring purposes, and the obtaining of an order granted by the High Court of Hong Kong for the recognition of the appointment of the Joint Provisional Liquidators; (ii) announcements dated 30 September 2021, 30 November 2021 and 15 December 2021 in relation to, among other things, the delay in publication of the audited results of the Company for the eighteen months ended 30 June 2021; (iii) announcements dated 31 December 2021 and 27 June 2022 in relation to the guidance received from the Stock Exchange regarding the resumption of trading of the Company's shares on the Stock Exchange; (iv) announcements dated 5 January 2022, 11 April 2022, 4 July 2022, 7 October 2022, 5 January 2023, 4 April 2023 and 3 July 2023 in relation to the quarterly update on the resumption progress of the Company; (v) announcements dated 26 August 2022 and 1 September 2022 in relation to a funding agreement entered into by the Company; (vi) announcement dated 30 December 2022 and the circular of the Company dated 3 March 2023 (the "Circular") in relation to the proposed restructuring of the Company; (vii) poll results announcement dated 27 March 2023 in relation to the extraordinary general meeting of the Company held on 27 March 2023; (viii) announcements dated 25 April 2023, 18 May 2023 and 9 June 2023 in relation to the Creditors' Scheme; (ix) announcements dated 4 July 2023 and 13 July 2023 in relation to the Capital Reorganisation; and (x) announcement dated 28 July 2023 in relation to the completion of the Proposed Restructuring.

Unless the context otherwise requires, capitalised terms used herein shall have the same meaning as those defined in the Circular.

BACKGROUND OF THE SUSPENSION IN TRADING OF THE SHARES

Trading in the Shares on the Stock Exchange has been suspended since 9:00 a.m. on 4 October 2021 as the Company failed to publish the audited results for the eighteen months ended 30 June 2021 in accordance with Rule 13.49 of the Listing Rules.

FULFILMENT OF RESUMPTION GUIDANCE

As disclosed in the announcements of the Company dated 31 December 2021 and 27 June 2022, the Stock Exchange has given the following Resumption Guidance for the Company:

- (a) publish all outstanding financial results required under the Listing Rules and address any audit modifications (“**Guidance 1**”);
- (b) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules (“**Guidance 2**”);
- (c) have the Petition withdrawn or dismissed and the Joint Provisional Liquidators discharged (“**Guidance 3**”);
- (d) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position (“**Guidance 4**”); and
- (e) re-comply with the requirements under Rules 3.10, 3.10A and 3.21 of the Listing Rules (“**Guidance 5**”).

The Board is pleased to announce that the Company has fulfilled the Resumption Guidance to the satisfaction of the Stock Exchange, details of which are set out below.

Guidance 1 – publish all outstanding financial results required under the Listing Rules and address any audit modifications

The Company has published the annual results announcement and annual report for the eighteen months ended 30 June 2021 on 19 January 2023 and 21 February 2023, respectively. The interim results announcement and interim report for the six months ended 31 December 2021 have been published by the Company on 28 February 2023 and 30 March 2023, respectively. The annual results announcement and annual report for the year ended 30 June 2022 have been published by the Company on 28 February 2023 and 18 April 2023, respectively. The interim results announcement and respective clarification announcement for the six months ended 31 December 2022 have been published by the Company on 2 May 2023 and 12 May 2023, respectively. The interim report for the six months ended 31 December 2022 has been published by the Company on 15 May 2023. The Company has no outstanding unpublished financial results as of the date of this announcement.

The Auditors have issued disclaimer of opinions on the consolidated financial statements of the Company for the year ended 31 December 2019, the eighteen months ended 30 June 2021 and the year ended 30 June 2022 (the “**Audit Qualifications**”). The Audit Qualifications relate to (i) multiple uncertainties relating to going concern basis; and (ii) scope limitation regarding the plantation forest assets and the right-of-use assets of the Group.

With respect to the Audit Qualifications in relation to multiple uncertainties relating to going concern basis, the Creditors’ Scheme and the Subscription would have become effective or been completed prior to the issue of the audited consolidated financial statements of the Company for the year ended 30 June 2023, where all the Claims of the Creditors against the Company, and the liabilities of the Company would be compromised, discharged, waived and/or settled in full. Hence, the net current liabilities position of the Company is expected to be improved significantly.

With respect to the Audit Qualifications in relation to the scope limitation regarding the plantation forest assets and the right-of-use assets, based on the information provided by the management of the Company, the Auditors have observed the following actions taken by the Company to address such disclaimer of opinion:

- With the approved logging permits, the Group is able to resume operations for revenue generation in the forestry management segment and accordingly, the Directors are of the view that as the mobility restrictions and other control measures caused by the COVID-19 pandemic have already eased off, the Directors do not foresee there to be any obstacle for the Group in obtaining logging permits;
- Notwithstanding the Group did not recognise any revenue for the forestry management business during the eighteen months ended 30 June 2021, the Group actually only failed to obtain logging permits for the calendar year of 2020. The Group has been engaging in the forestry management business since 2013 and had not experienced any difficulty in obtaining logging permits except for 2020 which is considered an isolated event after all. Based on the aforesaid, particularly the fact that the Group successfully obtained additional logging quotas in December 2022, the Directors do not expect there to be any obstacle for the Group in obtaining logging permits in foreseeable future;
- Following the completion of the sales of timber log in March 2023 pursuant to the logging quota obtained in December 2022, the Directors are of the view that actual performance of the forestry management business of the Group has successfully crystallised the bases and assumptions underlying the assessment of fair value of the Group’s plantation forest assets and right-of-use-assets for the years ended 30 June 2022 and 2023, where the valuation of which had been reviewed and assessed by the Auditors;
- The Company will continue to engage the independent external valuer to perform valuation on the plantation forest assets (including the right-of-use assets of leased lands) of the Group for fair value assessment, as appropriate; and
- The Auditors have conducted site visit to the forests of the Group on 24 May 2023.

In light of the above, the Board anticipates and it is agreed by the Auditors that, in the absence of any unforeseen circumstances and save for a qualified opinion on the comparability of the corresponding figures for the Company's consolidated financial statements for the year ended 30 June 2023, the consolidated financial statements of the Company for the year ended 30 June 2023 will not carry the Audit Qualifications.

Guidance 2 – demonstrate the Company's compliance with Rule 13.24 of the Listing Rules

In response to Guidance 2, the Company has been continuously expanding its core business, and has viable plan and business development to maintain sufficient level of operations and tangible assets of sufficient value for which a sufficient value can be demonstrated in compliance with the requirements under Rule 13.24 of the Listing Rules.

Principal business of the Group

During the eighteen months ended 30 June 2021, the Group was principally engaged in (i) forestry management, (ii) provision of services in relation to management, leasing, sale and installation of container houses, and (iii) money lending. Due to the change in business strategy of the Group and the under-performed financial results of the money lending business and container houses business, the Group has decided to cease these business operations since September 2020 and June 2022, respectively. Nevertheless, the Group has been actively exploring potential business opportunities and actively accessing the possibility of strategic cooperation with potential business partners, to diversify the stream of revenue of the Group in order to add momentum to the business growth of the Group and to maximise Shareholders' return. As a result, since August 2022, the Group has commenced the Ginseng Business.

The following table sets forth the selected information from the Group's consolidated financial statements for the eighteen months ended 30 June 2021 ("**18M2020/21**"), the year ended 30 June 2022 ("**FY2022**") and the six months ended 31 December 2022 ("**1H2023**") as extracted from the annual reports of the Company for 18M2020/21 and FY2022 and the interim report for 1H2023.

	18M2020/21 <i>(RMB'000)</i> (Audited) (restated)	FY2022 <i>(RMB'000)</i> (Audited)	1H2023 <i>(RMB'000)</i> (Unaudited)
Revenue			
– Forestry management business	–	6,756	8,580
– Ginseng Business	–	–	14,441
– Container houses business (ceased)	25,648	(2,702)	–
– Money lending business (ceased)	–	–	–
	<u>25,648</u>	<u>4,054</u>	<u>23,021</u>
Segment profit/(loss)			
– Forestry management business	(490,687)*	10,902*	7,489
– Ginseng Business	–	–	3,344
– Container houses business (ceased)	(5,900)#	725#	–
– Money lending business (ceased)	(1,118)#	–#	–
	<u>(497,705)</u>	<u>11,627</u>	<u>10,833</u>
Loss for the period/year	<u><u>(553,630)</u></u>	<u><u>(18,900)</u></u>	<u><u>(1,244)</u></u>

* After change in fair value less costs to sell of plantation forest assets and impairment (18M2020/21: net loss of approximately RMB484.4 million; FY2022: net gain of approximately RMB12.5 million)

After impairment

Loss of the Company for 18M2020/21 of approximately RMB553.6 million was primarily due to the segment loss of forestry management business of the Group of approximately RMB490.7 million. According to the annual report of the Company for 18M2020/21, such segment loss was mainly represented by the net loss on change in fair value less costs to sell of plantation forest assets of approximately RMB484.4 million.

According to the annual report of the Company for FY2022, loss of the Company of approximately RMB18.9 million for FY2022 was mainly attributable to the segment profit of forestry management business of the Group of approximately RMB10.9 million, being offset by (i) finance costs of approximately RMB21.2 million; and (ii) other unallocated expenses of approximately RMB10.2 million, including Directors' emoluments, other staff costs, consultancy fee and Auditors' remuneration.

According to the interim report of the Company for 1H2023, loss of the Company of approximately RMB1.2 million for 1H2023 was mainly attributable to the segment profit of forestry management business of the Group and Ginseng Business of approximately RMB7.5 million and RMB3.3 million, respectively, being offset by (i) finance costs of approximately RMB9.0 million; and (ii) other unallocated expenses of approximately RMB3.1 million, including Directors' emoluments, other staff costs and legal and professional fees.

(a) **Forestry management business**

The Group has been engaging in the forestry management business since 2013. Revenue generated from the Group's forestry management business is mainly derived from sales of timber logs which are harvested from the Group's forests. The Group recognises revenue from timber log sales when control of the relevant goods is transferred to the customers.

Pursuant to the Forestry Law of the PRC, trees logging in the forests requires relevant logging permits, and the quantities of trees harvesting in the forests must be carried out pursuant to the provisions of the relevant approved logging permits. The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment.

As at the date of this announcement, all of the forest lands owned by the Group are located in the Sichuan Province in the PRC.

The table below sets forth all forest land owned by the Group:

Name	Location	Size	Type of timber
Hengchang Forests	Muma Town, Jiange County of Sichuan Province	21,045 Chinese Mu (equivalent to 1,403 hectares)	Cypress
Kunlin Forests	Zhengxing Town Jiange County of Sichuan Province	9,623 Chinese Mu (equivalent to 642 hectares)	Cypress
Senbo Forests	Yixing Town Jiange County of Sichuan Province	13,219 Chinese Mu (equivalent to 881 hectares)	Cypress
Ruixiang Forests	Longyuanzhen, Houshixiang and Dianzixiang town, Jiange County of Sichuan Province	30,653 Chinese Mu (equivalent to 2,044 hectares)	Cypress
Wantai Forests	Kaifeng Town, Yingshui village, Guangping village, and Zheba village, Jiange County of Sichuan Province	42,814 Chinese Mu (equivalent to 2,854 hectares)	Cypress

(Henchang Forests, Kunlin Forests, Senbo Forests, Ruixiang Forests and Wantai Forests are collectively referred to as the "**Forests**")

The Group has a total of 10 forest lands, which are all located in Jiange County. Jiange County is known for its low-mountain landforms, with mild climate, abundant rainfall, sufficient sunlight and distinct seasons, which is conducive to the growth of trees.

According to the needs of production and operation, the Group applies to the National Forestry and Grassland Administration for forest logging quotas annually. Generally, each logging permit is valid for one to two months and the Group can only carry out logging activities within the stipulated validity period. The logging permits will specify the logging quantity approved from time to time. The Group is required to conduct logging activities according to the approved quantity as stated on the logging permits as well as all applicable laws, rules and regulations including but not limited to the Forestry Law of the PRC and the Measures for the Administration of Regenerative Felling of Forests. In particular, the Group must not conduct logging activities beyond the designated boundaries for harvesting, and must not fell precious trees and trees that are still under growth.

Furthermore, pursuant to the Forest Tending Technical Guide of Sichuan Province (四川省森林撫育技術指南) (the “**Guide**”) promulgated by the Forestry Bureau of Jiange County (劍閣縣林業局), the Group is required to replant/restore the relevant forest lands after each logging activity, based on the requirements as set out in the Guide on quality and breed of replanting seedings, replanting density, approved replanting techniques, etc. Under the supervision of the Group’s forest management staff, the Company engages a service provider for such re-plantation and restoration of the Forests. In view of the environmental protection measures, replantation has to be completed within three months after the completion of logging activities with the required density of Cypress seedings around 20 seeds per Chinese mu. The service provider is an Independent Third Party with a team of over 50 staff. The service provider was established in Jiange County by some retired professionals from the Forestry Bureau. The service provider is required to evaluate the replanting environment and soil, remove weeds and fertilise the soil, and to monitor the growth of seedings from time to time until germination. The Group also engages the service provider to manage the general maintenance work of the Forests, which mainly include pest and weed control, and trunk maintenance. The service provider is also responsible for promoting public awareness of fire prevention to the neighbourhood, regularly patrolling the Forests, regular inspection to prevent natural disasters, whereas, the Company oversees the replantation and maintenance work and inspects their services from time to time.

Notwithstanding the outsourcing of such services, the Group has the capability to manage such work because it has two supervisors who have over 10 years of forestry management experience and has been responsible for monitoring the replantation and maintenance work of the service provider. In fact, such services require only low-skill labour, which are easy to recruit. In addition, such type of service providers are commonly available in Jiange County and since they only provide low-skill labour work, they are easily replaceable. Therefore, the Group does not rely on such service provider for its forestry management business.

The Group has formed a team of four employees responsible for the operation of the forestry management business. As set out above, two members of the team, being the supervisors of the forestry management business, have over 10 years of forestry management related working experience in the PRC. The supervisors are responsible for (i) monitoring the forest maintenance work and post-harvest plantation work conducted by third-party service provider; (ii) monitoring the logging process; and (iii) communicating, coordinating and handling matters with the relevant government authorities. The remaining two staff of the team are responsible for assisting the supervisors on general operation works.

For 18M2020/21, due to the outbreak of the COVID-19 pandemic in the PRC, the PRC government imposed stringent precautionary measures such as social distancing and mandatory quarantine restrictions, which caused administrative difficulties for local government authorities in granting logging permits. Hence, the Group was unable to obtain logging permits for the calendar year of 2020 from the local government authority and was unable to conduct logging operations throughout 18M2020/21.

In July 2021, the Group has obtained logging permits for the calendar year of 2021 with lower logging quantity of 6,003.3 cubic meters in aggregate, due to tight working capital of the Company for FY2022. As at the date of this announcement, all of the aforesaid approved quantity has been sold and has contributed revenue in the aggregate amount of approximately RMB6.8 million to the Group for FY2022.

Due to the resurgence of the COVID-19 pandemic in 2022, the PRC government has imposed more stringent precautionary measures, such as social distancing and partial lockdown in Sichuan Province. Hence, the issuing of the logging permits of the Group has been delayed. In November 2022, the Group successfully obtained the logging permits for the calendar year of 2022 with logging quantity of approximately 16,648.0 cubic meters in aggregate. In order to activate the forestry management business of the Group, the management of the Group has further negotiated with the National Forestry and Grassland Administration and had obtained extra logging quotas amounting to approximately 10,305.0 cubic meters in December 2022 for the calendar year of 2023.

As at the date of this announcement, the Group has completed the sales of the aforementioned total approved logging quantity of approximately 26,953 cubic meters and has generated logging revenue of approximately RMB25.6 million for the year ended 30 June 2023. The Directors are confident in obtaining similar logging quantity in the future, so as to improve the performance of the forestry management business of the Group.

(b) *Ginseng Business*

Driven by the prevailing trend of promoting healthy lifestyle, PRC citizens pay more attention to healthcare products, meanwhile the PRC government also actively promotes related policies to enhance the level of healthiness nationally. Having considered the challenges faced by the Group's forestry management business, in order to utilise the inherent advantage of the Group by further capitalising on the Group's existing forest lands, the Directors have explored business opportunities in the healthcare market and the Group has made use of its forest land and diversified into the plantation of ginseng, and tapped into the Ginseng Business since August 2022. Notwithstanding the aforementioned, there is no intention for the Group to cease its forestry management business in the foreseeable future.

Ginseng plantation

The breed of 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. Such breed of ginseng is able to be grown in higher temperature regions (up to at 32°C) and suitable for in-door/under-forest planting, while maintaining the characteristic of nutrient-rich of wild ginseng, which greatly improve the production efficiency as compared to that of the traditional wild ginseng. Given the planting characteristic and medical value of ginseng planted and sold by the Group, it is considered the ideal plant which could make use of the Group's existing resources in utilising the forest lands of the Group, so as to expand the business portfolio of the Group without affecting the Group's logging activities for its forestry management business.

The Ginseng Business allows the Group to develop under-forest economy on the Group's existing forest lands. Under-forest economy refers to planting, breeding, collection and processing of products, and utilisation of forest landscapes in the under-forest space based on forest land resources, forest space and forest ecological environment, in order to improve forest land productivity, labour productivity and capital utilisation rate.

The Group's forest lands provide sufficient plantation sites for ginseng plantation. The Group's forest lands span across 21,045 Chinese Mu. The Group plans to assign an aggregate of 200 Chinese Mu forest land for ginseng plantation where 120,000 pieces of ginseng can be planted in one Chinese Mu of forest land. This means the Group can plant at most 24 million pieces of ginseng on its designated forest lands. In addition, the type of ginseng grew by the Group can be planted under-forest. Hence, the Group can utilise its existing forest lands for logging activities and ginseng plantation simultaneously. Accordingly, the plantation of ginseng would not impact the Group's logging activities for its forestry management business.

It takes approximately one year for the ginseng to be harvested and sold to the customers. In December 2022, the Group has completed the first phrase of ginseng seeding according to its ginseng plantation plan of approximately 6 million pieces on the designated 50 Chinese Mu forest land in the Senbo Forest. According to the plan of the Group, the first batch of one-year ginseng is expected to be harvested in November 2023 and can be sold to customers thereafter. The Group finance the purchase of ginseng seeds mainly by its internal resources and the funding under the Funding Agreement.

The Group has entered into a legally-binding ginseng planting framework agreement with an independent third party supplier (the "Supplier") for the plantation of ginseng on the Senbo Forest. Pursuant to the said framework agreement, the Supplier will be responsible for, among others, the supply of ginseng seeds and culture medium, and provision of technical support and maintenance services (including fertilisation, weeding, insecticide and soil preparation) to the Group for a period of 10 years. Below sets forth the major terms of the ginseng planting framework agreement:

Date: 1 August 2022

Terms: 10 years

Subject matter: The Supplier will be responsible for, among others, the supply of ginseng seeds and culture medium, and provision of technical support and maintenance services (including fertilisation, weeding, insecticide, soil preparation) to the Group.

Quantity: By December 2022, the Supplier shall plant approximately 6.0 million pieces of ginseng on 50 Chinese Mu of plantation site in Senbo Forest.

From 2023 to 2027, the plantation area as designated by the Group shall be increased by 30 Chinese Mu every year to reach an aggregate of approximately 24.0 million pieces of ginseng by the end of 2027.

Pricing: The Group shall pay the Supplier (i) approximately RMB1.0 per ginseng seed being planted and technical support during the planting phase; (ii) RMB1.5 per ginseng seed being planted for the culture medium; and (iii) RMB2.0 per ginseng seed being planted every year (starting from the second month after plantation) as maintenance fee.

Other matters: In order to ensure the quality of ginseng, the Supplier undertakes the germination rate of respective batch of ginseng shall be 100%. Any shortfall of germination rate shall be compensated by the Supplier with the equivalent quality and aged ginseng.

The cooperation between the two parties is exclusive. During the term of agreement, the supplier is not allowed to supply similar products or services to other third parties in the PRC.

The Supplier is principally engaged in (i) research and development and technical consulting services of biotechnological products, agricultural planting and breeding; (ii) the sales of Chinese herbal medicines and other agricultural products; (iii) elderly healthcare-related services; and (iv) ecotourism development in the PRC. The Supplier is established in 2018 with registered capital of RMB10.0 million and has been engaged in the breeding and supply of ginseng in the PRC for more than four years with an annual supply capacity of approximately 10 million pieces of ginseng.

To reduce reliance on the Supplier, the Company intends to gradually decrease the purchases of aged ginseng from the Supplier when it has self-grown sufficient inventory of aged ginseng. After the first phase of ginseng is successfully germinated and upon cultivation, the Company could breed the ginseng using its own ginseng seeds through seed cultivation method. The Group will harvest and apply the seeds from the fruit of ginseng upon cultivation in order to achieve self-plantation. The ginseng plants from the plantation process shares the same genes as those supplied by the Supplier, therefore the quality of which is guaranteed. Nonetheless, the Group will conduct self-inspection from time to time and engages third-party laboratory for laboratory testing on an annual basis in order to ensure the quality of its ginseng and the nutrient content is able to meet the customer requirements.

The ginseng plantation supervising staffs of the Group are highly involved during the plantation process, and through the daily operation, have been accumulating relevant plantation experience and know-how from the technical support and maintenance services provided by the Supplier. On the other hand, the plantation and maintenance process only involves low-skill labour work without high technicality, which can be carried out by workers who are easily replaceable. Based on the fact that the Group will be able to achieve self-sufficiency of the ginseng seeds, and leverage on the relevant techniques and known-how accumulated by the Group's staffs over time, the Directors are of the view that the Group could proceed its plantation plan on a self-planting basis in a medium term (i.e. around one to three years). Based on the foregoing, the Group's reliance on the Supplier will gradually alleviate in the medium term. The culture medium supplied by the Supplier is not a patent product of the Supplier, but a simple mixture of certain fertilisers and medicines. The Company believes, through the daily plantation operation over time, it can learn the formula and mixture from the Supplier, with an aim to prepare and procure for better mixture of culture medium by itself so as to further mitigate the reliance on the Supplier in such regard.

Ginseng trading

However, the value and medicinal ingredient of ginseng increases over time with reference to its age. Generally speaking, ginseng which aged over five years is more popular in the market and the market price of which is substantially higher than those aged below five years. Having considered the aforesaid nature of ginseng, it is the plan of the Group to focus on the sale of aged ginseng of over five years. As it will take time for the Group to self-grow its inventory of aged ginseng, as well as to strengthen the working capital of the Group for the plantation operation, to capture the market share and develop its customer base in the ginseng industry in the PRC, the Group has also commenced the ginseng trading business in August 2022 by purchasing aged ginseng from the Supplier. Hence, revenue currently generated from the Ginseng Business is derived from the sale of ginseng that are purchased from the Supplier. It is the intention of the Group that it will gradually decrease the purchases of aged ginseng from third-party suppliers when it has self-grown sufficient inventory of aged ginseng on its own.

With respect to the business model of the ginseng trading business of the Group, legal title of the ginseng inventory will be transferred from the Supplier to the Group upon receipt of the shipment at the warehouse of the Group located in Jiange County in the PRC, logistic of which is arranged by the Supplier. The Group maintains sufficient inventory of ginseng at its warehouse to meet customers' demand from time to time. Upon receiving the purchase orders from the customer, the Group shall arrange the logistics and be responsible for the shipment from its warehouse to the location designated by the customer. Legal title will then be transferred to the customer upon receipt of shipment by the customer.

As the Group has entered into a long-term supply framework agreement with the Supplier to ensure the stable supply of aged ginseng while the Group self-grow its inventory of aged ginseng, the Group will be able to maintain stable and adequate supply of inventory to meet customers' demand for its ginseng trading business. The Group finance the purchase of aged ginseng mainly by its internal resources and the funding under the Funding Agreement.

As of 31 December 2022, the Group has supplied to its independent customers with an aggregate of approximately 138,000 pieces of ginseng (all of which aged five years and above). Accordingly, the Group has recorded revenue in the aggregate amount of approximately RMB14.4 million. Since 1 January 2023 and up to 30 June 2023, the Group has further supplied to independent customers an aggregate of approximately 179,500 pieces of ginseng (all of which aged five years and above). The gross profit margin of the ginseng trading business of the Group for 1H2023 is approximately 35.1%.

Profit forecasts for the years ended/ending 30 June 2023 and 2024

Set out below are the profit forecasts (the “**Profit Forecasts**”) of the Group for the year ended 30 June 2023 (“**FY2023**”) and the year ending 30 June 2024 (“**FY2024**”), which have been prepared by the Directors with reference to the continuing operations of the Group since 1 July 2022 (namely forestry management and Ginseng Business), legally binding agreements, historical cost structures and other assumptions as detailed below.

	FY2023 <i>(RMB'000)</i>	FY2024 <i>(RMB'000)</i>
Revenue		
– Forestry management business	25,603	25,195
– Ginseng Business		
Ginseng plantation	–	22,500
Ginseng trading	30,311	45,393
	<u>55,914</u>	<u>93,088</u>
Gross profit		
– Forestry management business*	–	–
– Ginseng Business		
Ginseng plantation#	–	–
Ginseng trading	10,619	15,869
	<u>10,619</u>	<u>15,869</u>
Segment profit/(loss)		
– Forestry management business	20,592 [^]	17,252 [^]
– Ginseng Business		
Ginseng plantation	(248) ⁺	13,562 ⁺
Ginseng trading	6,161	8,169
	<u>26,505</u>	<u>38,983</u>
Net profit	<u><u>11,079</u></u>	<u><u>27,055</u></u>

* The cost of sale of forestry management is forecasted in accordance with Hong Kong Accounting Standard 41 (HKAS41) where agricultural produce harvested from an entity’s biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 Inventories or another applicable standard.

Based on the assumption that the fair value less costs to sell of timber to be harvested and sold will approximate to the forecasted selling price during the Forecast Period (i.e. FY2023: approximately RMB25.6 million; FY2024: approximately RMB25.2 million), the cost of sales of the forestry management business during the Forecast Period are therefore determined based on the forecasted revenue for the respective year. Hence, no gross profit for the forestry management business will be recognised.

The cost of ginseng plantation is forecasted in accordance with HKAS41. Based on the assumptions that the fair value less costs to sell of plantation ginseng to be harvested and sold will be approximate to the forecasted selling price during the Forecast Period (i.e. FY2024: approximately RMB22.5 million), the cost of sales of the ginseng plantation business during the Forecast Period are therefore determined based on the forecasted revenue for respective year. Hence, no gross profit for ginseng plantation business will be recognised.

^ After change in fair value less costs to sell of plantation forest assets.

+ After change in fair value less costs to sell of plantation ginseng assets.

The Profit Forecasts have been made on the basis of, among others, the following principal assumptions (including commercial assumptions) during FY2023 and FY2024 (the “**Forecast Period**”):

- (i) The Profit Forecasts were prepared with reference to the consolidated financial results of the Group for the year ended 30 June 2022 and the nine months ended 31 March 2023. The Profit Forecasts were based on existing and projected contracts with customers, in particular, certain legally-binding framework agreements in relation to the Ginseng Business entered into between the Group and its customers;
- (ii) The Group will be able to continue its business as a going concern and will not be materially interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including the occurrence of natural disasters or catastrophes;
- (iii) The Group will be able to continually obtain adequate finance for its business and to operate as going concern in the foreseeable future;
- (iv) It is assumed that the Company will continue to be principally engaged in forestry management and Ginseng Business in the Forecast Period. Save for the business plan as described in the resumption proposal prepared by the Company and submitted to the Stock Exchange, it is assumed that there will not be any material expansion or contraction of the Group’s business as during the Forecast Period;
- (v) It is assumed that there will be no material change in the industries in which the Group operates and the conditions of the market in which the Group sells its products;
- (vi) It is assumed that there will be no significant changes in the bases and rates of taxation, surcharges or other government levies in the countries or territories in which the Group operates;
- (vii) There will be no material changes in existing government policies or political, legal (including changes in legislation, regulations or rules), fiscal, market or economic conditions in the PRC in which the Group operates during the Forecast Period;
- (viii) It is assumed that no abnormal or extraordinary items will occur during the Forecast Period;
- (ix) There will be no material changes in inflation, interest rates, foreign currency exchange rates from those prevailing or other government levies, both direct and indirect, in the PRC or any other territories in where the Group operates except as otherwise disclosed. The exchange rate that is used for the Profit Forecasts is HK\$1.00 to RMB0.89.

- (x) The Profit Forecasts have been prepared taking into account the Directors' and key senior management's continued involvement in the operations of the Group. In addition, the Group will be able to retain its key senior management and personnel during the Forecast Period;
- (xi) The Group will be able to have sufficient qualified personnel registered to achieve its planned expansion and that staffing level will be sufficient for the operation requirements of the Group during the Forecast Period;
- (xii) There will be no material change in the pattern of the credit period and payment term of contract. There will be no material changes in the procurement pattern for materials, equipment, and components as well as credit period and payment terms from the Group's suppliers;
- (xiii) Most of the selling and marketing expenses, administrative and other operating expenses are paid upon receipt of service. Therefore, there is no significant accrued expense or other payable during the Forecast Period;
- (xiv) There will be no material change in the Group's business relationship with its customers and suppliers. In addition, the Group will be able to continue the operations in substantially the same way as it has been operating and carry out the development plans without disruptions;
- (xv) There will be no occurrence such as labour shortage, labour dispute, or interruptions in the supply of materials, equipment and components from third parties that would adversely affect the Group's operation;
- (xvi) All of the Group's assets including fixed assets and trade receivables are carried at amounts not materially different from their recoverable amounts during the Forecast Period and it is assumed that there will be no material changes in their recoverability during the Forecast Period;
- (xvii) It is assumed that the fair value less costs to sell of timber logs being harvested is approximate to the relevant forecasted revenue during the Forecast Period;
- (xviii) It is assumed that the fair value less costs to sell of plantation ginseng being harvested is approximate to the relevant prevailing market price during the Forecast Period;
- (xix) It is assumed that there will be no material change in fair value of the forest plantation assets as compared to respective valuations as at 30 June 2022 (being the date to which the latest published annual results of the Group were made up);
- (xx) There will be no material litigation, claim or arbitration arisen or outstanding during the Forecast Period;
- (xxi) There will be no material change in accounting standards or financial reporting requirements which will have significant impact on the preparation of the Profit Forecasts;

- (xxii) Save for the Proposed Restructuring, the Group's structure and its principal businesses will remain unchanged during the Forecast Period;
- (xxiii) Contracts will not be cancelled by the customers and will be performed in accordance with their terms during the Forecast Period;
- (xxiv) There will be no material variation order or reduction or claims on the purchase orders during the Forecast Period;
- (xxv) It is assumed that the Group has no fixed dividend policy and no dividend will be paid during the periods covered by the Profit Forecast; and
- (xxvi) There will be no material delays to the expansion plans as set out in the resumption proposal prepared by the Company and submitted to the Stock Exchange.

While the Profit Forecasts have been prepared by the Directors after due and careful enquiry, actual results or outcomes could be affected by events or circumstances after the Profit Forecasts had been prepared and differed materially from those expressed in the Profit Forecasts. The Company strongly cautions Shareholders and potential investors against placing undue reliance on the Profit Forecasts. The Company expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the Profit Forecasts.

Lego Corporate Finance Limited (“**Lego Corporate Finance**”) has been engaged by the Company to act as the financial adviser of the Company to review the Profit Forecasts and is of the view that the Profit Forecasts were made by the Directors after due and careful enquiry. In addition, CCTH CPA Limited (“**CCTH**”), the auditors of the Company, has been engaged by the Company to review the accounting policies and calculations of the Profit Forecasts and is of the view that the Profit Forecasts have been properly compiled in accordance with the bases and assumptions adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. A letter from each of Lego Corporate Finance and CCTH respectively in relation to their review of the Profit Forecasts is set out in Appendix I and Appendix II to this announcement.

Operating performance and sufficiency of assets

As stated in the annual report of the Company for FY2022, revenue of the forestry business of the Group was approximately RMB6.8 million and the segment profit was approximately RMB10.9 million (after change in fair value less costs to sell of plantation forest assets and impairment). As at 30 June 2022, the Group's total assets amounted to approximately RMB93.5 million, and its total liabilities was approximately RMB400.2 million, resulting in net liabilities of approximately RMB306.6 million.

As stated in the interim report of the Company for the six months ended 31 December 2022, revenue of the forestry business of the Group was approximately RMB8.6 million and the segment profit was approximately RMB7.5 million; whereas for the Ginseng Business, revenue was approximately RMB14.4 million and the segment profit was approximately RMB3.3 million. As at 31 December 2022, the Group's (i) total current assets amounted to approximately RMB19.1 million, and its total current liabilities amounted to approximately RMB391.7 million, resulting in net current liabilities of approximately RMB372.6 million; (ii) total assets amounted to approximately RMB114.9 million, and its total liabilities amounted to approximately RMB436.2 million, resulting in net liabilities of approximately RMB321.3 million.

For further details of the financial information and business performance of the Group, please refer to the annual report of the Company for FY2022 and the interim report of the Company for 1H2023. As at the date of this announcement, the businesses of the Group continue to operate as usual in all material respects.

The Directors are confident that Group will be able to have its business performance improved given that (i) it is expected to secure a similar level of annual logging quotas to that of the calendar year of 2022 in the near future; (ii) it is expected that the Ginseng Business will achieve an increasing scale of operation supported by the long-term sales agreements entered into between the Group and its independent third party customers; and (iii) the first batch of self-planted ginseng (one-year ginseng) is expected to be harvested and sold starting in November 2023.

Notwithstanding that the Group still had net liabilities of approximately RMB19.5 million (being the unaudited pro forma net liabilities value of the Group), after the effective of the Creditors' Scheme and the completion of the Proposed Restructuring, the financial position of the Group would turn around to net current assets position of approximately RMB7.0 million (being the unaudited pro forma net current assets value of the Group), and the Audit Qualification in relation to the Group's going concern is expected to be removed in the Company's consolidated financial statements for FY2023. In the event that the Group is in a net current liabilities position after completion of the Creditors' Scheme and/or requires additional working capital, the Investor undertakes that it will provide further funding to the Group as and when required.

In light of the abovementioned factors, the Board is of the view that the Group has a viable and sustainable business with a sufficient level of operations and assets of sufficient value to support its operations to meet the requirements under Rule 13.24 of the Listing Rules and warrant the continued listing of the Shares on the Stock Exchange. Accordingly, the Company is of the view that it has fulfilled this Guidance 2.

Guidance 3 – have the Petition withdrawn or dismissed and the Joint Provisional Liquidators discharged

On 19 July 2023 (Cayman Islands time), the Company has submitted an application (the “**Application**”) to the Cayman Court seeking the withdrawal or stay of the Petition and the discharge of the Joint Provisional Liquidators. On 26 July 2023 (Cayman Islands time), the Cayman Court granted an order to approve the Application and the Joint Provisional Liquidators have therefore been discharged and the Company has exited provisional liquidation (for restructuring purposes) on the same date.

Guidance 4 – inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position

The Company has periodically made announcements for such material development of the Company so that its shareholders and other investors may be appraised of the Company’s position.

Guidance 5 – re-comply with the requirements under 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 the then three independent non-executive Directors (i.e. Ms. Wong Hoi Ying, Mr. Wang Yibin and Mr. Guo Zhonglong), the Company has met the requirements under Rules 3.10, 3.10A and 3.21 of the Listing Rules.

EXPERTS AND CONSENTS

A letter from Lego Corporate Finance and a letter from CCTH are included in the appendices to this announcement. The following are the qualifications of Lego Corporate Finance and CCTH:

Name	Qualification
Lego Corporate Finance Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
CCTH CPA Limited	Certified Public Accountants

Each of Lego Corporate Finance and CCTH has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its report/letter and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of Lego Corporate Finance and CCTH is a third party independent of and not connected with the Company and its connected persons.

As at the date of this announcement, each of Lego Corporate Finance and CCTH does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, neither Lego Corporate Finance nor CCTH has any direct or indirect interests in any assets which have been, since 30 June 2022 (being the date to which the latest published annual results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

RESUMPTION OF TRADING IN THE SHARES

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. Based on the reasons as disclosed above, the Board is of the view that all the Resumption Guidance has been fulfilled. Accordingly, the Company has made an application to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 July 2023.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
China Bozza Development Holdings Limited
Professor Fei Phillip
Chairman and Executive Director

Hong Kong, 28 July 2023

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

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

APPENDIX I – LETTER FROM THE FINANCIAL ADVISER

16 June 2023

Board of Directors
China Bozza Development Holdings Limited
Unit 12, 12/F., Tower A
New Mandarin Plaza
No. 14 Science Museum Road
Tsim Sha Tsui, Kowloon, Hong Kong

Dear Sirs,

China Bozza Development Holdings Limited (the “Company”) and its subsidiaries (collectively “the Group”)

We refer to the memorandum of the profit and cash flow forecast (the “**Forecast**”) of the Company for the years ending 30 June 2023 and 2024 as set out in Appendix I annexed to the Resumption Proposal of which this letter forms part. Capitalised terms used herein shall have the same meanings as those defined in the Resumption Proposal unless otherwise specified.

We have discussed with the management of the Company regarding the bases and assumptions adopted in preparing the Forecast and noted that the Forecast has been prepared principally based on the unaudited management accounts of the Group for the financial year ended 30 June 2022 and for the six months ended 31 December 2022. We have also considered the letter dated 16 June 2023 addressed to the Directors from CCTH CPA Limited (“**CCTH**”), regarding the accounting policies and calculations upon which the Forecast has been made. CCTH is of the opinion that so far as the accounting policies and calculations are concerned, the Forecast has been properly compiled in accordance with the assumptions as set out in Appendix I of the Resumption Proposal adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group.

Having considered the bases and assumptions on which the Forecast is made by the Directors and the accounting policies and calculations adopted by the Directors and reported on by CCTH, we are of the opinion that the Forecast, for which the Directors are solely responsible, has been made after due care and consideration.

Yours faithfully
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

APPENDIX II – LETTER FROM THE REPORTING ACCOUNTANTS

16 June 2023

The Board of Directors,
China Bozza Development Holdings Limited
Unit 12, 12/F., Tower A,
New Mandarin Plaza,
No. 14 Science Museum Road,
Tsim Sha Tsui, Kowloon,
Hong Kong

Profit Forecast for year ending 30 June 2023

We refer to the forecast of the consolidated profit attributable to equity holders of China Bozza Development Holdings Limited (the “**Company**”) for the year ending 30 June 2023 (“**the Profit Forecast**”) in connection with the Company’s Resumption Proposal.

Directors’ Responsibilities

The Profit Forecast has been prepared by the directors of the Company based on the unaudited consolidated results based on the management accounts of the Company and its subsidiaries (collectively referred to as “**the Group**”) for the 9 months ended 31 March 2023 and a forecast of the consolidated results of the Group for the remaining 3 months ending 30 June 2023.

The Company’s directors are solely responsible for the Profit Forecast.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500, *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the bases and assumptions adopted by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the directors as set out in Resumption Proposal and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in Resumption Proposal.

Yours faithfully,

CCTH CPA Limited

Certified Public Accountants

Hong Kong