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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)**

**(I) VERY SUBSTANTIAL ACQUISITION**  
**ACQUISITION OF TARGET EQUITY INTEREST; AND**  
**(II) RESUMPTION OF TRADING**

**THE ACQUISITION**

The Board is pleased to announce that on 16 August 2023 (after trading hours), the Purchaser entered into Equity Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has agreed conditionally to acquire, and the Vendor has agreed conditionally to sell, the Target Equity Interest, representing 52% equity interest in the Target Company, at the Consideration of RMB7,128,670 (equivalent to approximately HK\$7,665,236.56)

Upon the Completion, the Company will hold 52% equity interest in the Target Company, which will become a non-wholly owned subsidiary of the Company. The financial statements of the Target Company will be consolidated into the consolidated financial statements of the Group.

**LISTING RULES IMPLICATIONS**

As one or more of the percentage ratios applicable to the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and the Acquisition is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

**GENERAL**

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no shareholder or its associate has a material interest in the Acquisition as at the date of this announcement and therefore, no Shareholder or its associate is required to abstain from voting at the EGM for the relevant resolution(s).

A circular containing, among other things, (i) further information in relation to the Equity Sale and Purchase Agreement; (ii) financial information on the Group; (iii) other information as required under the Listing Rules; (iv) a notice convening the EGM is expected to be despatched to the Shareholders within 15 business days after the publication of this announcement in accordance with the Listing Rules.

**As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## **INTRODUCTION**

On 16 August 2023 (after trading hours), the Purchaser entered into Equity Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has agreed conditionally to acquire, and the Vendor has agreed conditionally to sell, the Target Equity Interest, representing 52% equity interest in the Target Company, at the Consideration of RMB7,128,670 (equivalent to approximately HK\$7,665,236.56).

The principal terms of the Equity Sale and Purchase Agreement are as follows:

- Date:** 16 August 2023 (after trading hours)
- Parties:**
- (i) the Company (the “**Purchaser**”) (as purchaser)
  - (ii) the Vendor (as vendor)

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

### **Subject Matter**

Pursuant to the Equity Sale and Purchase Agreement, the Purchaser has agreed conditionally to acquire, and the Vendor has agreed conditionally to sell, the Target Equity Interest, which represents 52% of the issued share capital of the Target Company as at the date of this announcement.

## **Consideration**

The Consideration shall be RMB7,128,670 (equivalent to approximately HK\$7,665,236.56), which shall be payable by the Company to the Vendor in cash in the following manner:

- (i) RMB3,000,000 (equivalent to HK\$3,225,806.45) shall be payable by the Company to the Vendor within five (5) Business Days upon satisfying the Agreement Condition paragraph (vi) and (vii); and
- (ii) balance of the Consideration of RMB4,128,670 (equivalent to approximately HK\$4,439,430.11) shall be payable by the Company to the Vendor in cash on the Completion Date.

Should there be material discrepancy between the valuation of the Target Company conducted by an independent valuer engaged by the Group to the valuation report provided by the Vendor, the Purchaser and the Vendor shall, within five (5) Business Days from the date of the valuation report obtained by the Company, negotiate on the amendment of the Consideration and enter into a supplemental Equity Sale and Purchase Agreement.

## **Basis for determination of the Consideration**

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the net asset value of the Target Company as at 31 December 2022 and the valuation conducted by an independent valuer appointed by the Vendor in respect of the 100% equity interest of the Target Company as at 31 December 2022 adopting an asset-based approach at RMB13,708,979 (equivalent to approximately HK\$14,740,837.63). The Company has engaged an independent valuer to conduct a valuation on the equity interests of the Target Company and expect to obtain the valuation report by the end of September 2023.

Based on the aforesaid, the Directors are of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Equity Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent**

Completion is conditional upon the fulfilment (or waiver by the Company) of all of the following conditions on or before the Long Stop Date:

- (i) completion of due diligence in respect of the Target Company (including but not limited to due diligence relating to legal and financial matters, grading of the ginseng and management, operation and internal control of the business flow) by the Company to the satisfaction of the Company;
- (ii) all necessary consents, licences and approvals required to be obtained on the part of the Vendor and the Target Company in respect of the Equity Sale and Purchase Agreement and the transactions contemplated thereunder have been obtained and remain in full force and effect;

- (iii) the Equity Sale and Purchase Agreement and the transactions contemplated hereunder being approved by more than 50% of the votes of the Shareholders that are cast either in person or by proxy at the EGM;
- (iv) the representations and warranties given by the Vendor remaining true and accurate in all respects and not misleading;
- (v) the Company having obtained a PRC legal opinion (in form and substance to the reasonable satisfaction of the Purchaser) from a qualified PRC lawyer appointed by the Company in respect of the transactions contemplated under the Equity Sale and Purchase Agreement, the contents of which shall include but are not limited to the due incorporation and subsistence of the Target Company, and the legality and validity of the business conducted by the Target Company;
- (vi) the Company having obtained a valuation report on the Target Company in the form and substance to the reasonable satisfaction of the Company from an independent professional valuer appointed by the Company and is satisfied with the valuation result;
- (vii) the Acquisition not being classified as an extreme transaction or reverse takeover for the Company under Chapter 14 of the Listing Rules by the Stock Exchange;
- (viii) all necessary approvals from the Stock Exchange and/or other regulatory authorities in relation to the Equity Sale and Purchase Agreement having been obtained; and
- (ix) the Company being reasonably satisfied that there has not been any material adverse change in the Target Company since the date of the Equity Sale and Purchase Agreement.

together the “**Agreement Conditions**”.

The Agreement Conditions under paragraphs (ii), (iii) and (vii) above are not waivable by the Company.

In respect of the Agreement Condition under paragraph (vii) above, if the Acquisition is classified by the Stock Exchange as an extreme transaction or reverse takeover under Chapter 14 of the Listing Rules, the Company and the Vendor shall, within five (5) Business Days, negotiate on the amendment of terms (such as the amendment of the Target Equity Interest or the Consideration) to the Equity Sale and Purchase Agreement and enter into a supplemental agreement, so as to fulfill the Agreement Condition under paragraph (vii) above.

As at the date of this announcement, none of the Agreement Conditions has been fulfilled or waived (as applicable).

If the Agreement Conditions are not fulfilled or waived (as applicable) by the Long-stop Date (or such other date as may be agreed in writing between the Company and the Vendor), the Equity Sale and Purchase Agreement shall lapse subject to the clauses in the Equity Sale and Purchase Agreement. In such an event, the Vendor must return all Consideration, if any, that has been paid by the Company within seven (7) Business Days. All rights and obligations under the Equity Sale and Purchase Agreement shall cease to have any effect (save for any antecedent breaches).

## **Completion**

Upon satisfaction of the aforesaid conditions precedent, the Company and the Vendor will complete the Acquisition on the Completion Date, in which case the Vendor shall actively cooperate and assist the Company in completing the filing and registration procedures, including but not limited to industrial and business registration, and taxation registration, so as to transfer the Target Equity Interest to the Company or its subsidiary.

Upon the Completion, the Company will hold 52% equity interest in the Target Company, which will become a non-wholly owned subsidiary of the Company. The financial statements of the Target Company will be consolidated into the consolidated financial statements of the Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Directors are not aware of any expected change of business model for the Company's businesses upon the completion of the Acquisition.

## **INFORMATION ON THE GROUP**

The principal activity of the Company is investment holding. The Group is principally engaged in forestry management (i.e. plantation, logging and sale of timber related products), ginseng-related business (i.e. plantation and sale of ginseng) and investment holding.

### **Forestry Management Business**

The Group has started the forestry management business since 2012, by acquiring the entire equity interest of a company group in the PRC which engaged in the operation and management of the forests in Sichuan Province. Over the years, the Group acquired various companies which engaged in the operation and management of forests and held plantation forest assets. A total of five forests are managed by our Group.

The primary source of revenue for the Group's forestry management business is the harvest and sale of timber logs. Mature trees are selectively harvested according to sustainable forestry practices, and the timber logs are sold to the Group's customers, which are wood processing companies engaging in various businesses, such as construction, furniture production, and paper manufacturing. The value of the timber logs depends on factors like species, size, quality, and market demand.

## **Ginseng-Related Business**

The Acquisition is relevant to the Group's ginseng-related business. As disclosed in the annual report of the Company for the year ended 30 June 2022, 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 since 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 Group's participation in ginseng trading necessitates the establishment of robust sales channels that align with the quality and reputation of the ginseng products. Crafting effective sales channels entails a multifaceted approach, involving meticulous cultivation practices, stringent quality control measures, astute pricing strategies, and compelling marketing campaigns.

In terms of revenue generation, the ginseng-related business model encompasses several key elements. The cultivation phase involves careful planning, resource allocation, and cultivation techniques to ensure the growth of premium-grade ginseng. The trading aspect necessitates a comprehensive market analysis to identify target markets, segment customer preferences, and devise effective distribution strategies.

## **INFORMATION ON THE VENDOR**

The Vendor is a company established in the PRC with limited liability. It is principally engaged in investment, real estate development, planting, production and processing, trading and logistics.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners, namely, Mr. Lai, Mr. Li and Ms. Zhang, are third parties independent of and not connected with the Company and its connected persons.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Vendor, its directors and legal representatives and any ultimate beneficial owner(s) of the Vendor; and (b) the Company, any connected person at the Company's level, and/or any connected person at the subsidiary level (to the extent that such subsidiary/subsidiaries is/are involved in the transaction).

## **INFORMATION ON THE TARGET COMPANY**

Set out below is the information on the business, shareholding structure and financial information of the Target Company based on the information provided by the Vendor.

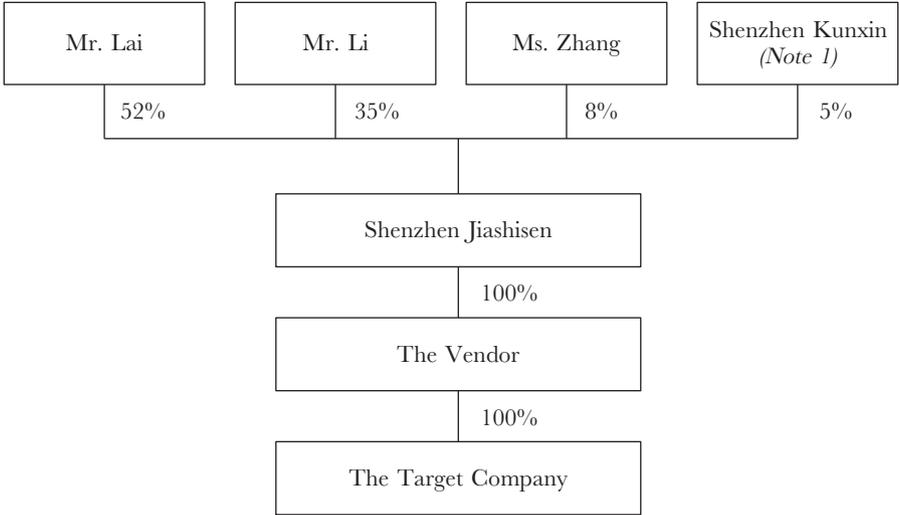
The Target Company is a company established in the PRC with limited liability. The Target Company's principal activities include the cultivation, processing and distribution of a range of American ginseng products.

As at the date of this announcement, the registered capital and paid-up capital of the Target Company are listed as follows:

	<b>Registered capital</b> <i>(RMB'000)</i>	<b>Paid-up capital</b> <i>(RMB'000)</i>
Target Company	5,000	5,000

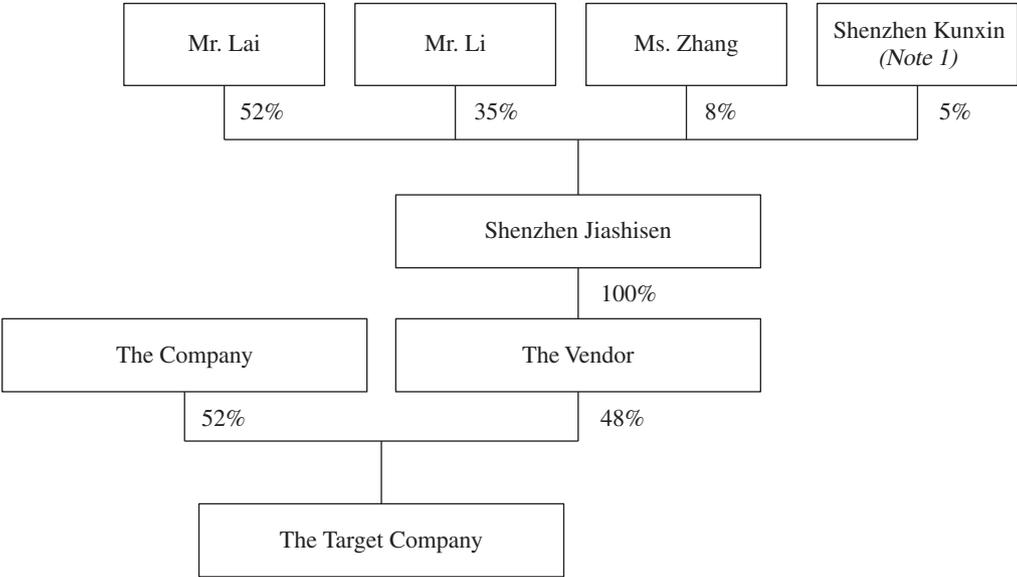
**Shareholding Structure of the Target Company**

Before the Acquisition, the shareholding structure of the Target Company is as follows:



*Note 1:* Shenzhen Kunxin is 80% beneficially owned by Mr. Lai and 20% beneficially owned by Ms. Zhang.

Immediately after the completion of the Acquisition, the shareholding structure of the Target Company will be as follows:



## Financial information of the Target Company

The following major financial data is extracted from the audited financial information of the Target Company for the two financial years immediately preceding the date of the Equity Sale and Purchase Agreement, which are prepared in accordance with the PRC Accounting Standards for small businesses (中華人民共和國小企業會計準則):

	<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2021</b>
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	19,310	19,203
Net profit/(loss) before tax	443	540
Net profit/(loss) after tax	421	513
	<b>As at</b>	<b>As at</b>
	<b>31 December 2022</b>	<b>31 December 2021</b>
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Total asset	20,837	20,683
Net asset	13,709	13,288

## FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Immediately following the Completion, the Target Company will become a non-wholly owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the consolidated financial statements of the Company.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activity of the Company is investment holding. The Group is principally engaged in forestry management (i.e. plantation, logging and sale of timber related products), ginseng-related business (i.e. plantation and sale of ginseng) and investment holding.

The Target Company's principal activities include the cultivation, processing and distribution of a range of American ginseng products, and selling health food items. The Directors are of the opinion that the Acquisition presents an opportunity for the Group to integrate the Target Company's specialised knowledge and expertise into our current operations. It is expected that the Target Company can contribute its industry knowledge in the cultivation and processing of ginseng to the Group's ginseng business. Currently, the Group mainly focuses on the plantation of ginseng, whereas the Target Company specialises in the development and processing of ginseng. The Target Company's knowledge in ginseng is also beneficial to the Group in improving its plantation method. The Directors believe that with the technical knowhow that the Target Company possesses, the Acquisition will contribute to the growth and development of the Group's ginseng-related business segment.

The Group's ginseng-related business has been in a nascent phase, with the commencement of ginseng plantation and trading in August 2022. As an emergent business line, this venture is currently situated within its initial investment stage. This developmental phase demands substantial capital infusion to facilitate operational expansion, the establishment of robust sales channels, the augmentation of product quality, and the creation of auxiliary support mechanisms.

The Acquisition presents an exceptional opportunity for the Group to attain accelerated growth and establish a substantial presence in the ginseng-related sector. The Target Company's existing expertise, well-established networks, and diverse product portfolio harmoniously complement the Group's plan. The Directors believe that the synergistic interplay between the Group's ongoing initiatives in the ginseng-related domain and the Target Company's operations can provide a robust platform for bolstering market positioning, optimising operational efficiencies, and harnessing the advantages of economies of scale.

Furthermore, the Group's management possesses substantial expertise that can seamlessly extend to the management of ginseng cultivation and sales, which is the business of the Target Company. Two of the executive Directors, namely Professor Fei Philip and Mr. Li Wenjun, have been working in the Group for more than four years, underscored by their adept management of the forestry business arm of the Group. Mr. Chan Wai Lung, who has been appointed as an executive Director in August 2023, has brought a wealth of experience in business planning and development.

The Group's engagement in forestry business aligns with the proposed ginseng cultivation, development of new products and sales activities of the Target Company. This strategic alignment can be regarded as a form of lateral expansion, where synergies between existing competencies and new initiatives can be harnessed. It is important to highlight that both forestry business and ginseng cultivation require a deep understanding of cultivation techniques, land management, market dynamics, and regulatory compliance. The Group's cohesive management team is adept at navigating these complexities. With the support of our operational staff members in the Group's existing business, the Directors are of the view that the Board is capable of managing the business of the Target Company.

The Directors are of the opinion that the terms of the Equity Sale and Purchase Agreement, including the Consideration, are fair and reasonable, and the Acquisition is in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the percentage ratios applicable to the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company and the Acquisition is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, among other things, approve the Equity Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no shareholder or its associate has a material interest in the Acquisition as at the date of this announcement and therefore, no Shareholder or its associate is required to abstain from voting at the EGM for the relevant resolution(s).

A circular containing, among other things, (i) further information in relation to the Equity Sale and Purchase Agreement; (ii) financial information on the Group; (iii) other information as required under the Listing Rules; (iv) a notice convening the EGM are expected to be despatched to the Shareholders within 15 business days after the publication of this announcement in accordance with the Listing Rules.

**As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Sale and Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.**

## RESUMPTION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 17 August 2023. 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 11 September 2023.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set out below:

“Acquisition”	the acquisition of the Target Equity Interest as contemplated under the Equity Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons are announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business

“Company”	China Bozza Development Holdings Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1069)
“Completion”	completion of the Acquisition in accordance with the Equity Sale and Purchase Agreement
“Completion Date”	any day within fifteen Business Days after the date on which each of the conditions precedent has been fulfilled or waived (as applicable) or such other date as the Company and the Vendor may mutually agree in writing
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration of RMB7,128,670 (equivalent to approximately HK\$7,665,236.56) for the Acquisition
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Equity Sale and Purchase Agreement and the transactions contemplated thereunder
“Equity Sale and Purchase Agreement”	the equity sale and purchase agreement entered into by the Company and the Vendor on 16 August 2023 in relation to the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 February 2024, being six months after the date of the Equity Sale and Purchase Agreements or such later date as maybe agreed between the Purchaser and the Vendor in writing
“Mr. Lai”	Lai Weiqiang (賴偉強), a PRC citizen and a merchant

“Mr. Li”	Li Xinhua* (李新華), a PRC citizen and a merchant
“Ms. Zhang”	Zhang Qiuping* (張秋萍), a PRC citizen and a merchant
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of a par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Share(s) of the Company
“Shenzhen Jiashisen”	Shenzhen Jiashisen Investment (Holding) Company Limited* (深圳佳士森投資(集團)有限公司), a company established under the laws of the PRC with limited liability on 9 October 2000, and is owned as to (i) 52% by Mr. Lai; (ii) 35% by Mr. Li; (iii) 8% by Ms. Zhang; and (iv) 5% by Shenzhen Kunxin
“Shenzhen Kunxin”	Shenzhen Kunxin Decoration Engineering Limited Company Limited* (深圳市堃鑫裝飾工程有限公司), a company established under the laws of the PRC with limited liability on 24 December 1999, and is 80% beneficially owned by Mr. Lai and 20% beneficially owned by Ms. Zhang.
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Target Company”	Liuba County Jiashisen Traditional Chinese Medicine Comprehensive Development Company Limited* (留壩縣佳仕森中藥綜合開發有限公司), a company established under the laws of the PRC with limited liability on 11 January 2007, and is a direct wholly-owned subsidiary of the Vendor
“Target Equity Interest”	52% equity interest in the Target Company
“Vendor”	Shaanxi Jiashisen Pharmaceutical Investment Company Limited* (陝西佳仕森藥業投資有限公司), a company established under the laws of the PRC with limited liability on 6 December 2007, and is a direct wholly-owned subsidiary of Shenzhen Jiashisen
“%”	per cent

*For the purpose of this announcement, unless otherwise indicated, the conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1 to RMB0.93. This exchange rate is for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.*

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

Hong Kong, 8 September 2023

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

\* *For identification purpose only*