

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

**ANNOUNCEMENT OF SECOND INTERIM RESULTS**  
**FOR THE TWELVE MONTHS PERIOD ENDED 31 DECEMBER 2020**  
**AND CHANGE OF COMPANY WEBSITE**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Bozza Development Holdings Limited (the “**Company**”) announces the unaudited consolidated second interim results of the Company and its subsidiaries (the “**Group**”) for the twelve months period ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the twelve months ended 31 December 2020*

		<b>Twelve months ended 31 December 2020 (Unaudited) RMB'000</b>	<b>Year ended 31 December 2019 (Audited) RMB'000</b>
	<i>Notes</i>		
Revenue	4	<b>6,666</b>	54,254
Cost of sales and services		<u>—</u>	<u>(19,442)</u>
Gross profit		<b>6,666</b>	34,812
Investment and other income	6	<b>487</b>	2,443
Other losses, net	7	<b>(95,835)</b>	(330,515)
Selling and distribution expenses		<b>(182)</b>	(196)
Administrative expenses		<b>(48,797)</b>	(23,794)
Finance costs	8	<u><b>(20,791)</b></u>	<u>(23,042)</u>
Loss before tax	9	<b>(158,452)</b>	(340,292)
Income tax expense	10	<u>—</u>	<u>(192)</u>
Loss for the period/year		<u><b>(158,452)</b></u>	<u>(340,484)</u>

		<b>Twelve months ended 31 December 2020 (Unaudited) RMB'000</b>	<b>Year ended 31 December 2019 (Audited) RMB'000</b>
	<i>Notes</i>		
Other comprehensive income/(expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>28,273</u>	<u>(7,899)</u>
Other comprehensive income/(expense) for the period/year		<u>28,273</u>	<u>(7,899)</u>
Total comprehensive expense for the period/year		<u>(130,179)</u>	<u>(348,383)</u>
Loss for the period/year attributable to owners of the Company		<u>(158,452)</u>	<u>(340,484)</u>
Total comprehensive expense for the period/year attributable to owners of the Company		<u>(130,179)</u>	<u>(348,383)</u>
		<b>RMB cent</b>	<b>RMB cent</b>
Loss per share:	12		
Basic and diluted		<u>(1.44)</u>	<u>(3.09)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 (Unaudited) RMB'000	2019 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	13	560	1,011
Right-of-use assets		47,575	55,208
Plantation forest assets	14	431,100	514,500
Goodwill		–	–
Other intangible assets		–	–
Deferred tax assets		250	250
		<u>479,485</u>	<u>570,969</u>
Current assets			
Inventories		1,155	1,190
Trade and other receivables	15	6,380	8,457
Loans receivables	16	–	–
Deposits and prepayments		4,382	4,709
Bank balances and cash		134	3,181
		<u>12,051</u>	<u>17,537</u>
Current liabilities			
Trade and other payables	17	35,780	22,904
Promissory notes payable	18	55,788	52,567
Corporate bonds payable	19	151,833	98,015
Other borrowings	20	1,121	–
Lease liabilities		781	3,214
Income tax payable		260	266
		<u>245,563</u>	<u>176,966</u>
Net current liabilities		<u>(233,512)</u>	<u>(159,429)</u>
Total assets less net current liabilities		<u>245,973</u>	<u>411,540</u>
Non-current liabilities			
Corporate bonds payable	19	123,909	155,568
Lease liabilities		6	3,735
		<u>123,915</u>	<u>159,303</u>
Net assets		<u>122,058</u>	<u>252,237</u>
Capital and reserves			
Share capital	21	19,016	19,016
Reserves		103,042	233,221
Total equity		<u>122,058</u>	<u>252,237</u>

## NOTES

### 1. GENERAL INFORMATION

China Bozza Development Holdings Limited is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group is principally engaged in forestry management, provision of services in relation to management, leasing, sale and installation of container houses, money lending 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.

As referred to in note 24(c), certain joint provisional liquidators were appointed to the Company for debt restructuring purposes.

The condensed consolidated interim financial statements are unaudited but have been reviewed by the audit committee of the Company (“**Audit Committee**”).

### 2. BASIS OF PREPARATION

Pursuant to a resolution of the Board dated 10 December 2020, the Company’s financial year end date has been changed from 31 December to 30 June. Accordingly, the current financial year will cover a period of eighteen months from 1 January 2020 to 30 June 2021. These unaudited second interim consolidated financial statements now presented cover a period of twelve months from 1 January to 31 December 2020. The comparative figures presented for the unaudited consolidated statement of profit or loss and other comprehensive income and related notes cover the audited figures of the financial year from 1 January to 31 December 2019.

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

Notwithstanding that the current liabilities of the Group at 31 December 2020 exceed the Group’s current assets at that date by RMB233,512,000, which includes the promissory notes payable and the corporate bonds payable amounted to RMB55,788,000 and RMB151,833,000 respectively and that the Group incurred a loss for the twelve months ended 31 December 2020 amounted to RMB158,452,000, the Directors considered it appropriate for the preparation of the condensed consolidated interim financial statements on a going concern basis after taking into account of the following circumstances and measures that are in place or are to be implemented.

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

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

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the twelve months ended 31 December 2020 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2019.

#### Application of amendments to HKFRSs

In the second interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

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

### 4. REVENUE

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

	<b>Twelve months ended 31 December 2020 (Unaudited) RMB’000</b>	<b>Year ended 31 December 2019 (Audited) RMB’000</b>
Revenue from sales of goods	–	36,826
Sales and installation of container houses	–	7,564
Income from provision of services	–	3,083
Rental income from container houses	<b>336</b>	438
Interest income from money lending business	<b>6,330</b>	6,343
	<b>6,666</b>	<b>54,254</b>

Revenue from sales of goods and installation of container houses is recognised at a 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 recognized 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.

## 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.

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

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

Information regarding the above segments for the twelve months ended 31 December 2020 and year ended 31 December 2019 is presented below.

### Segment revenues and results

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

#### *For the twelve months ended 31 December 2020 (unaudited)*

	Forestry Business RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Total RMB'000
Segment revenue	–	336	6,330	6,666
Segment loss	(89,027)	(48)	(2,320)	(91,395)
Bank interest income				2
Gain on disposal of a subsidiary				494
Other unallocated income				485
Other unallocated expenses				(47,247)
Finance costs				(20,791)
Loss before tax				(158,452)
Income tax expense				–
Loss for the period				(158,452)

For the year ended 31 December 2019 (audited)

	Forestry Business RMB'000	Container Houses Business RMB'000	Money Lending Business RMB'000	Total RMB'000
Segment revenue	<u>36,826</u>	<u>11,085</u>	<u>6,343</u>	<u>54,254</u>
Segment loss	<u>(83,901)</u>	<u>(4,628)</u>	<u>(122,739)</u>	<u>(211,268)</u>
Bank interest income				3
Other unallocated income				2,440
Impairment loss on other receivables				(93,000)
Other unallocated expenses				(15,425)
Finance costs				<u>(23,042)</u>
Loss before tax				(340,292)
Income tax expense				<u>(192)</u>
Loss for the year				<u>(340,484)</u>

#### Segment assets and liabilities

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

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Segment assets		
Forestry Business	476,384	564,846
Container Houses Business	8,817	9,144
Money Lending Business	<u>—</u>	<u>252</u>
Total segment assets	485,201	574,242
Unallocated assets	<u>6,335</u>	<u>14,264</u>
Consolidated assets	<u>491,536</u>	<u>588,506</u>
Segment liabilities		
Forestry Business	6,591	6,243
Container Houses Business	3,030	3,630
Money Lending Business	<u>729</u>	<u>509</u>
Total segment liabilities	10,350	10,382
Unallocated liabilities	<u>359,128</u>	<u>325,887</u>
Consolidated liabilities	<u>369,478</u>	<u>336,269</u>

**6. INVESTMENT AND OTHER INCOME**

	Twelve months ended 31 December 2020 (Unaudited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000
Bank interest income	2	3
Sundry income	485	2,440
	<u>487</u>	<u>2,443</u>

**7. OTHER LOSSES, NET**

	Twelve months ended 31 December 2020 (Unaudited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000
Impairment losses recognised in respect of:		
– trade receivables	–	(61,550)
– other receivables	–	(93,000)
– loans receivable	(6,330)	(126,907)
Net loss on change in fair value less costs to sell of plantation forest assets	(83,400)	(50,874)
Loss on disposal of other intangible assets	–	(78)
Loss on disposal of property, plant and equipment	(121)	(13)
Exchange (losses)/gains, net	(6,537)	1,893
Gain on disposal of a subsidiary	494	–
Gain on disposal of right-of-use assets	59	14
	<u>(95,835)</u>	<u>(330,515)</u>

**8. FINANCE COSTS**

	Twelve months ended 31 December 2020 (Unaudited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000
Interest on:		
– promissory notes payable	7,257	6,777
– corporate bonds payable	13,359	16,143
– lease liabilities	175	122
	<u>20,791</u>	<u>23,042</u>



## 9. LOSS BEFORE TAX

	Twelve months ended 31 December 2020 (Unaudited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000
Loss before tax has been arrived at after charging:		
Directors' emoluments	3,186	2,213
Other staff costs	5,971	8,119
Total staff costs	9,157	10,332
Auditors' remuneration		
– audit services	–	931
– non-audit services	356	286
Cost of inventories recognised and timber harvested	–	15,447
Depreciation charge in respect of:		
– property, plant and equipment	159	219
– right-of-use assets	4,394	3,269
Amortisation of other intangible assets	–	4
Short-term lease expenses	73	1,332

## 10. INCOME TAX EXPENSE

	Twelve months ended 31 December 2020 (Unaudited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000
Current tax charge		
Hong Kong Profits Tax	–	192
PRC Enterprise Income Tax	–	–
Current tax charge, net	–	192
Deferred tax credit	–	–
Income tax expense	–	192

A group entity is chargeable to Hong Kong Profits Tax under the two-tiered profits tax rates regime whereby, the first RMB2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above RMB2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are chargeable to Hong Kong Profits Tax at the tax rate of 16.5%. In the prior year, Hong Kong Profits Tax was calculated at 16.5% on the assessable profits for that year.

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

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

## 11. DIVIDEND

No dividend was paid, declared or proposed during the twelve months ended 31 December 2020 (year ended 31 December 2019: Nil) nor had any dividend been proposed since the end of the reporting period.

## 12. LOSS PER SHARE

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

	Twelve months ended 31 December 2020 (Unaudited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000
<b>Loss</b>		
Loss for the purposes of basic loss per share		
Loss for the period/year attributable to owners of the Company	<u>(158,452)</u>	<u>(340,484)</u>
	<b>Number of ordinary shares '000</b>	<b>Number of ordinary shares '000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>11,024,220</u>	<u>11,024,220</u>

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for the twelve months ended 31 December 2020 and year ended 31 December 2019.

No adjustment has been made to the basic loss per share amounts presented for the twelve months ended 31 December 2020 and year ended 31 December 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the twelve months ended 31 December 2020, the Group had not acquired any property, plant and equipment (year ended 31 December 2019: RMB246,000). Depreciation of property, plant and equipment recognised in respect of the current period amounted to RMB159,000 (year ended 31 December 2019: RMB219,000).

## 14. 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 January 2019 (audited)	189,000	55,300	63,100	141,000	126,000	574,400
Harvested timber transferred to cost of inventories sold	(1,818)	(1,341)	(1,468)	(2,057)	(2,342)	(9,026)
Changes in fair value less costs to sell	<u>(38,182)</u>	<u>(659)</u>	<u>2,568</u>	<u>(8,943)</u>	<u>(5,658)</u>	<u>(50,874)</u>
At 31 December 2019 and 1 January 2020 (audited)	149,000	53,300	64,200	130,000	118,000	514,500
Harvested timber transferred to cost of inventories sold	-	-	-	-	-	-
Changes in fair value less costs to sell	<u>(21,000)</u>	<u>(8,700)</u>	<u>(9,600)</u>	<u>(21,000)</u>	<u>(23,100)</u>	<u>(83,400)</u>
At 31 December 2020 (unaudited)	<u>128,000</u>	<u>44,600</u>	<u>54,600</u>	<u>109,000</u>	<u>94,900</u>	<u>431,100</u>

Notes:

(a) **Hengchang Forest**

On 28 May 2013, the Group acquired the entire equity interest in China Timbers Limited (“**China Timbers**”) and its subsidiaries (collectively referred as to the “**China Timbers Group**”) which are principally engaged in the operation and management of the forest in Jiange County, Sichuan Province, the PRC (“**Hengchang Forest**”). The Hengchang Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Hengchang Forest. During the period under review, no timber logs in respect of the Hengchang Forest was harvested (year ended 31 December 2019: 3,065 cubic metres) and the fair value of the timber logs harvested amounted to approximately RMB1,818,000 for the year ended 31 December 2019, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2020, the Hengchang Forest is estimated to comprise approximately 1,389 hectares (31 December 2019: 1,389 hectares) of cypress with no tree plantations aged 40 years or older.

(b) **Kunlin Forest**

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited (“**Exceed Target**”) and its subsidiaries (collectively referred to as the “**Exceed Target Group**”) which are principally engaged in the operation and management of the forest in Zhengxing Town, Jiange County, Sichuan Province, the PRC (“**Kunlin Forest**”). Jiange Kunlin Linye Company Limited was transferred from Exceed Target Group to China Timbers Group on 14 November 2018. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, no timber logs in respect of Kunlin Forest was harvested (year ended 31 December 2019: 1,631 cubic metres) and the fair value of the timber logs harvested amounted to approximately RMB1,341,000 for the year ended 31 December 2019, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2020, the Kunlin Forest is estimated to comprise of approximately 642 hectares (31 December 2019: 642 hectares) of cypress with no tree plantations aged 40 years or older.

(c) **Senbo Forest**

On 11 October 2016, the Group acquired the entire equity interest in Huxiang International Holdings Limited (“**Huxiang**”) and its subsidiaries (collectively referred to as the “**Huxiang Group**”) which principally holds plantation forest assets in Yixing Town, Jiange County, Sichuan Province, the PRC (“**Senbo Forest**”). The Senbo Forest had a total leasehold land base of approximately 13,219 Chinese Mu (equivalent to approximately 881 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Senbo Forest. During the period under review, no timber logs in respect of Senbo Forest was harvested (year ended 31 December 2019: 2,141 cubic metres) and the fair value of the timber logs harvested amounted to approximately RMB1,468,000 for the year ended 31 December 2019, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2020, the Senbo Forest is estimated to comprise of approximately 881 hectares (31 December 2019: 881 hectares) of cypress with approximately 171 hectares (31 December 2019: 171 hectares) of tree plantations aged 40 years or older.

(d) **Ruixiang Forest**

On 6 June 2017, the Group acquired the entire equity interest in Garden Glaze Limited (“**Garden Glaze**”) and its subsidiaries (collectively referred to as the “**Garden Glaze Group**”) which principally holds plantation forest assets in Longyuanzhen, Houshixiang and Dianzixiang Town, Jiange County of the Sichuan Province in the PRC (“**Ruixiang Forest**”). The Ruixiang Forest had a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately 2,044 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Ruixiang Forest. During the period under review, no timber logs in respect of the Ruixiang Forest were harvested (year ended 31 December 2019: nil). As at 31 December 2020, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares of cypress trees with approximately 9 hectares of tree plantations with aged 40 years or older.

(e) **Wantai Forest**

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge Limited (“**Today Bridge**”) and its subsidiaries (collectively referred to as the “**Today Bridge Group**”) which principally holds plantation forest assets in Kaifeng Town, Yingshui Village, Guangping Village, Zheba Village, Jiange County of the Sichuan Province in the PRC (“**Wantai Forest**”). The Wantai Forest had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately of 2,854 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Wantai Forest. During the period under review, no timber logs in respect of Wantai Forest was harvested (year ended 31 December 2019: 4,758 cubic metres) and the fair value of the timbers logs harvested amounted to approximately RMB2,342,000 for the year ended 31 December 2019, which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2020, the Wantai Forest is estimated to comprise approximately 2,854 hectares (31 December 2019: 2,854 hectares) of cypress with no tree plantations with aged 40 years or older.

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

The Group’s plantation forest assets are regarded as biological assets and are carried at 31 December 2020 at fair value less costs to sell, which were valued by Ascent Partners Valuation Service Limited (“**Ascent Partners**”), independent professional valuers. In view of the non-availability of market value for tree plantations in the PRC, the professional valuers have applied the net present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at 14.72%, 15.49%, 15.49%, 15.49% and 15.49% for the Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest respectively, to arrive at the fair value of the plantation forest assets.

(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.

# 15. TRADE AND OTHER RECEIVABLES

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade receivables ( <i>note a</i> )	5,473	7,050
Other receivables	907	1,407
	<u>6,380</u>	<u>8,457</u>

Notes:

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

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
0–90 days	–	4,599
91–180 days	–	90
181–365 days	–	2,361
Over 365 days	5,473	–
	<u>5,473</u>	<u>7,050</u>

# 16. LOANS RECEIVABLES

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Loans and interests thereon receivable within one year	128,844	130,765
Less: Impairment loss recognised	(128,844)	(130,765)
	<u>–</u>	<u>–</u>

## 17. TRADE AND OTHER PAYABLES

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Trade payables ( <i>note b</i> )	2,004	1,149
Consideration payable for acquisition of subsidiary	7,059	7,514
Other payables	21,421	10,066
Deposits received	159	1,783
Accrued charges	5,137	2,392
	<u>35,780</u>	<u>22,904</u>

Notes:

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

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
0–30 days	–	5
Over 90 days	2,004	1,144
	<u>2,004</u>	<u>1,149</u>

## 18. PROMISSORY NOTES PAYABLE

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Promissory notes payable:		
– issued on 6 June 2017 ( <i>note a</i> )	22,033	22,723
– issued on 15 August 2018 ( <i>note b</i> )	33,755	29,844
	<u>55,788</u>	<u>52,567</u>
Carrying amount payable within one year		

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 interest in Garden Glaze Group.

Under the agreement relating to the Note A, the Note A is unsecured, carries interest at 5% per annum and is payable on the maturity date of 5 June 2019. On 3 June 2019, the Company entered into a supplemental deed to amend certain terms and conditions of the Note A, pursuant to which the parties thereto agreed to extend the maturity date of the Note A, with the 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 2020, the Note A with the principal amount of HK\$23,800,000 (31 December 2019: HK\$23,800,000) remained outstanding. The effective interest rate in respect of the Note A at 31 December 2020 is 12.21% per annum (31 December 2019: 12.21% per annum).

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

On 15 August 2018, the Company issued the Note B with the principal amount of HK\$34,100,000 as part of the consideration for acquisition of the entire interest in Today Bridge Group.

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 2020, the Note B with the principal amount of HK\$34,100,000 (31 December 2019: HK\$34,100,000) remained outstanding. The effective interest rate in respect of the Note B at 31 December 2020 is 23.27% per annum (31 December 2019: 23.27% per annum).

**19. CORPORATE BONDS PAYABLE**

	<b>31 December 2020</b> <b>(Unaudited)</b> <b>RMB'000</b>	31 December 2019 (Audited) RMB'000
Unsecured corporate bonds payable:		
– Within one year	<b>151,833</b>	98,015
– More than one year, but not exceeding two years	<b>77,162</b>	31,411
– More than two years, but not exceeding five years	<b>46,747</b>	114,689
– More than five years	<b>–</b>	9,468
	<b>275,742</b>	253,583
Less: Amount shown under current liabilities	<b>(151,833)</b>	(98,015)
Amount shown under non-current liabilities	<b>123,909</b>	155,568

(a) On 31 December 2020, the unsecured corporate bonds with the principal amount of HK\$276,000,000 (31 December 2019: HK\$276,000,000) remained outstanding, of which HK\$90,550,000 has expired. The effective interest rate of the unsecured corporate bonds ranged from 4.154% to 12.367% per annum.

(b) During the twelve months ended 31 December 2020, certain bondholders agreed with the Company to extend the repayment of unsecured corporate bonds with the aggregate principal amounts of HK\$18,820,000, under which the maturity dates of these corporate bonds, ranged from 25 September 2019 to 16 June 2020, was changed to later dates ranged from 17 June 2020 to 10 December 2021, with the other terms of the corporate bonds remained unchanged.

## 20. OTHER BORROWINGS

	31 December 2020 (Unaudited) RMB'000	31 December 2019 (Audited) RMB'000
Unsecured loans from a third party	<u>1,121</u>	<u>–</u>

The other borrowings carry interest at 3% per annum (2019: Nil), are repayable on 8 March 2021.

## 21. 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 2020 (unaudited) and 31 December 2019 (audited)	<u>50,000,000</u>	<u>100,000</u>

  

	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 2020 (unaudited) and 31 December 2019 (audited)	11,024,220	22,048	19,016

## 22. PLEDGE OF ASSETS

As at 31 December 2020 and 2019, there was no pledge of assets of the Group.

## 23. RELATED PARTY TRANSACTIONS

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

Remuneration of directors and other members of key management:

	Twelve months ended 31 December 2020 (Unaudited) RMB'000	Year ended 31 December 2019 (Audited) RMB'000
Salaries and other allowances	<u>4,922</u>	<u>3,868</u>
Retirement benefits scheme contributions	<u>82</u>	<u>64</u>
	<u>5,004</u>	<u>3,932</u>



## 24. LITIGATIONS AND DEBT RESTRUCTURING

- (a) On 15 May 2020, the Group received a petition (the “**Petition**”) filed by a holder of the bonds issued by the Group against the Group for an order of winding up the Company. The Petition was filed against the Group 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. In relation to the Petition, the next hearing will be held on 3 March 2021.
- (b) 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 2020, the total sum owed by the Company to the landlord was approximately HK\$1,219,000 which has been recognised in the condensed consolidated financial statement for the current period.
- (c) To facilitate the debt restructuring of the Company, Professor Fei Phillip, the chairman of the Board, filed a winding up petition against the Company at the Grand Court of the Cayman Islands (the “**Cayman Court**”) and the Company also made an application to the Cayman Court for an application for the appointment of joint provisional liquidators (the “**JPLs**”) of the Company, with the hearing held at the Cayman Court on 3 December 2020 (Cayman Islands time). At the hearing, an order (the “**Order**”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Martin Trott of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes. The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose. Details regarding the appointment of the JPLs are set out in the Company’s announcements dated 4 December 2020, 9 December 2020, 27 January 2021 and 28 January 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in the businesses of (a) forestry management; (b) money lending and (c) provision of management and related services for the leases of container houses.

#### Forestry management business

As at 31 December 2020, the long-lease forest lands in the PRC owned by the Group were approximately 21,045 Chinese Mu (equivalent to approximately of 1,403 hectares), 9,623 Chinese Mu (equivalent to approximately of 642 hectares), 13,219 Chinese Mu (equivalent to approximately of 881 hectares), 30,653 Chinese Mu (equivalent to approximately 2,044 hectares) and 42,814 Chinese Mu (equivalent to approximately of 2,854 hectares) in Muma Town of Jiange County of Sichuan Province (the “**Hengchang Forest**”), Zhengxing Town of Jiange County of Sichuan Province (the “**Kunlin Forest**”), Yixing Town of Jiange County of Sichuan Province (the “**Senbo Forest**”), Longyuanzhen, Houshixiang and Dianzixiang town of Jiange County of Sichuan Province (the “**Ruixiang Forest**”) and Kaifeng Town, Yingshui village, Guangping village, Zheba village, Jiange County of the Sichuan Province (the “**Wantai Forest**” together with the Hengchang Forest, Kunlin Forest, Senbo Forest and Ruixiang Forest, the “**Forests**”), respectively.

The Hengchang Forest is held by China Timbers Limited (“**China Timbers**”, together with its subsidiaries “**China Timbers Group**”), through its wholly-owned subsidiaries. China Timbers was acquired by the Group on 28 May 2013. As at 31 December 2020, the Hengchang Forest was estimated to comprise of approximately 1,389 hectares of cypress.

The Kunlin Forest is held by China Timbers Group. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). As at 31 December 2020, the Kunlin Forest is estimated to comprise of approximately 642 hectares of cypress.

The Senbo Forest is held by Huxiang International Holdings Limited (“**Huxiang**” together with its subsidiaries “**Huxiang Group**”), through its wholly-owned subsidiaries. Huxiang was acquired by the Group on 11 October 2016. As at 31 December 2020, the Senbo Forest was estimated to comprise of approximately 881 hectares of cypress with approximately 171 hectares of tree plantations aged 40 years or older.

The Ruixiang Forest is held by Garden Glaze Limited (“**Garden Glaze**” together with its subsidiaries “**Garden Glaze Group**”), through its wholly owned subsidiaries. Garden Glaze was acquired by the Group on 6 June 2017. As at 31 December 2020, the Ruixiang Forest was estimated to comprise of approximately 2,044 hectares of cypress with approximately 9 hectares of tree plantations aged 40 years or older.

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. As at 31 December 2020, the Wantai Forest is estimated to comprise approximately 2,854 hectares of cypress.

No revenue of the forestry management business of the Group was recorded for the twelve months ended 31 December 2020 (year ended 31 December 2019: approximately RMB36.8 million) since no harvesting work has been carried out due to the COVID-19 pandemic.

### **Money lending business**

The Company’s wholly-owned subsidiary, namely Forever Biosource (Credit) Limited, is engaged in money lending business and recorded approximately RMB6.3 million (year ended 31 December 2019: approximately RMB6.3 million) as interest income for the twelve months ended 31 December 2020, which accounted for approximately 95.0% of the total revenue.

### **Container houses business**

Generally, the manufacturing and maintenance of the container houses, along with its accessories, including furniture, interior decoration, and other facilities, needs substantial amount of wood materials. As the Group is also involved in the forest land business in the foreseeable future, it has the capability to provide sufficient raw materials to satisfy the demand of wood materials in container house business.

The Group currently conducts container house business through Shenzhen Heng Fu Delaisi Intelligent Housing Limited\* (深圳恒富得萊斯智能房屋有限公司) and the relevant PRC subsidiaries.

For the twelve months ended 31 December 2020, the Group recorded a revenue of RMB0.3 million (year ended 31 December 2019: approximately RMB11.1 million), which accounted for approximately 5.0% of the total revenue.

## **FINANCIAL REVIEW**

### **Revenue**

During the period under review, the Company recorded a revenue of RMB6.7 million (year ended 31 December 2019: approximately RMB54.3 million). The Group’s revenue for the current period is attributable to the revenue from the money lending business of the Group.

## **Gross Profit**

The Group recorded a gross profit at approximately RMB7.0 million for the twelve months ended 31 December 2020 respectively (year ended 31 December 2019: approximately RMB34.8 million). The increment of gross profit margin was mainly due to money lending business generated by higher gross profit margin.

## **Valuation of Plantation Forest Assets**

The fair values of the Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest as at 31 December 2020 were 128.0 million, 44.6 million, 54.6 million, 109.0 million and 94.9 million respectively. Net loss on change in fair value less costs to sell of the Forests of RMB83.4 million was recorded in other losses.

## **Biological Assets**

The biological assets of the Group represent the plantation forest assets situated in Jiange County of Sichuan Province

## **Selling and Distribution Costs**

The selling and distribution costs recognised for the twelve months ended 31 December 2020 amounted to approximately RMB0.2 million (year ended 31 December 2019: RMB0.2 million). The selling and distribution costs were mainly attributable to the transportation costs incurred.

## **Administrative Expenses**

The administrative expenses increased by approximately 2.05 times from approximately RMB23.8 million for the year ended 31 December 2019 to approximately RMB48.8 million for the twelve months ended 31 December 2020. The increase in administrative expenses was mainly attributable by the consultancy fees for negotiating with creditors and restructuring.

## **Other Losses**

For the twelve months ended 31 December 2020, the Group recorded approximately RMB95.8 million losses (year ended 31 December 2019: approximately RMB330.5 million losses). Other losses mainly included net loss on change in fair value less costs to sell of plantation forest assets of RMB83.4 million, an impairment on the loan receivables in the sum of RMB6.3 million and loss on exchange difference of RMB6.5 million. The Group made full provision for impairment losses on loans receivable when the borrowers with overdue payments for more than six months.

## **Finance Costs**

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\$276,000,000 bearing interest rates ranged from 4.154% to 12.367% per annum.

## ***Loss for the Period***

Loss for the period under review was approximately RMB158.5 million (year ended 31 December 2019: RMB340.5 million) due to the details stated above. The decrease was mainly due to decrease in revenue and significant decrease in impairment losses for receivables.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had a total of 34 employees and management personnel as compared to 27 employees and management personnel as at 31 December 2019. Total staff costs for the period under review, including Directors' remuneration, amounted to approximately RMB9.2 million (year ended 31 December 2019: RMB10.3 million). The Group's remuneration policy is in line with the prevailing market standards and is determined on the basis of performance and experience of individual employee. Other employee benefits include contributions to social insurance scheme.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group generally finances its daily operations from internally generated cash flows, proceeds from issue of corporate bonds and promissory notes, other borrowings and certain net proceeds from fund raising activities. As at 31 December 2020, the Group had total assets of approximately RMB491.5 million and net assets of approximately RMB122.1 million. The Group's cash and bank balances as at 31 December 2020 amounted to approximately RMB0.1 million. As at 31 December 2020, there was no unutilised banking facilities (31 December 2019: nil).

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

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

**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 2020, the Note B with the principal amount of HK\$34,100,000 (31 December 2019: HK\$34,100,000) remained outstanding.

**Corporate bonds**

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

At 31 December 2020, the corporate bonds with the principal amount of HK\$276,000,000 (31 December 2019: HK\$276,000,000) remained outstanding.

## PLEDGE OF ASSETS

As at 31 December 2020, there was no pledge of assets of the Group.

## MATERIAL LITIGATION

On 15 May 2020, the Group received a petition (the “**Petition**”) filed by a holder of the bonds issued by the Group against the Group for an order of winding up the Company. The Petition was filed against the Group 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. In relation to the Petition, the next hearing will be held on 3 March 2021.

On 7 August 2020, the landlord of the Company’s office (the “**Landlord**”) filed a writ of summon against the Company in respect of the claim of outstanding rent, air-conditioning charges, service charges, rates and interest (the “**Claim**”). On 23 October 2020, the Court made the final and interlocutory judgment and order. The Company is required to pay the landlord (i) the Claim of HK\$596,766; (ii) rent, air-conditioning charges, service charges, rates and interest from 1 September 2020 to the date of delivery of vacant possession of the premises; (iii) damages to be assessed; and (iv) costs of this action to be taxed. On 6 November 2020, the Company vacated the premises and the premises have been taken over by the Landlord. As at 31 December 2020, 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 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 joint provisional liquidators (the “**JPLs**”) of the Company, with the hearing held at the Cayman Court on 3 December 2020 (Cayman Islands time). At the hearing, an order (the “**Order**”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Martin Trott of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes. The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose. For further details please refer to the announcements of the Company dated 4 December 2020, 9 December 2020, 27 January 2021 and 28 January 2021.

## CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 31 December 2020.

## 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 twelve months ended 31 December 2020, 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 75.2% as at 31 December 2020 (31 December 2019: 57.1%). As at 31 December 2020, promissory notes with the principal amount of HK\$57.9 million remained outstanding and the corporate bonds with the principal amount of HK\$276.0 million remained outstanding.

## CAPITAL STRUCTURE

The share capital of the Company comprises only ordinary shares. As at 31 December 2020, the total number of the ordinary shares of the Company in issue was 11,024,220,415 shares (31 December 2019: 11,024,220,415 shares). The total equity attributable to the owners of the Company was approximately RMB231.9 million (31 December 2019: approximately RMB252.2 million).

## CAPITAL COMMITMENTS

The Group has no capital commitments at the end of the reporting period.

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

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



Upon the expiration of the guaranteed period, the accumulated net profits of the Hengfu Group (after taxation) was less than RMB210,000,000. Accordingly, the vendors shall jointly and severally pay to the Company a compensation in cash. The Vendors are liable to pay to the Company a compensation of RMB30,104,085 in cash (the “**Compensation**”). The Directors have contacted the Vendors and requested for the payment of the Compensation but have not received any response from the Vendors as at the date hereof. The Company shall engage a legal representative to take the legal action and demand for the payment of the Company in due course. For further details please refer to the announcement of the Company dated 5 February 2021.

## **SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL**

Save as disclosed in this announcement, there were no significant investment held or material acquisitions and disposals of subsidiaries for the twelve months ended 31 December 2020.

## **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**

The following lists out the principal risks and uncertainties facing the company in achieving business objectives and the Group’s approach to tackle them.

### **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 the PRC. 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.

## **Major risks associated with the plantation assets**

The major risks associated with the plantation assets involve (i) regulatory and environmental risks; (ii) climate and other risks; and (iii) supply and demand risk. The Group tackled the risks by (i) performing regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks; (ii) monitoring and mitigating climate and other risks with measures including regular forest health inspections and industry pest and disease surveys; (iii) performing regular industry trend analyses to ensure that the Group's pricing structure is in line with market, and that the provided harvest volumes are consistent with the expected demand.

## **Currency risk**

No revenue derived by the Group in respect of the twelve months ended 31 December 2020 was denominated in foreign currencies. Substantially all of the costs incurred for the twelve months ended 31 December 2020 was denominated in functional currencies of the group entities. As at 31 December 2020, the Group had no significant monetary assets and liabilities which were denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Interest rate risk**

As at 31 December 2020, the Group was also 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.

## **PROSPECTS**

The COVID-19 pandemic around the world in 2020 had a materially adverse effect on our operating results throughout the review period. The Group faced unprecedented pressure and challenges on its operation and business activities.

Looking ahead in 2021, the global development of the pandemic and trade relations will be crucial to the economy. Improvements in the COVID-19 situation will remain the most important factor in economic recovery moving forward. Subject to the general availability of related vaccines, we expect global economic recovery with a further boost on domestic consumption and export. The Group will seek progress while maintaining stability to ensure its business development in the coming year by focusing on the improvement of the existing businesses' operating efficiency and core competitiveness. We are also looking for new opportunities for growth and expansion of the Group's business, so as to create better return for shareholders amid the uncertain economic environment.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the twelve months ended 31 December 2020 (year ended 31 December 2019: nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the twelve months ended 31 December 2020.

## **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 twelve months ended 31 December 2020.

## **COMPETING INTEREST**

During the period under review, none of the Directors or the controlling shareholders (as defined in the Listing Rules) of the Company had an interest in a business which competes or may compete with the business of 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 period under review or any time during the period.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE**

The Company has adopted all the code provisions (the “**Code Provisions**”) contained in the Corporate Governance Code (the “**CG Code**”) as set out in the Appendix 14 to the Listing Rules as the Company’s code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the twelve months ended 31 December 2020, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions A.1.8, A.4.1, A.5.1 and C.2.1 as addressed below:

1. Under the Code Provision A.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. Up to the date of this announcement, the Company has not arranged to purchase any Directors and Officers’ Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall support Directors in any events arising from corporate activities;

2. Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, except for Dr. Tse Kwok Sang, none of the non-executive Directors has been appointed for a specific term. Notwithstanding the aforesaid deviation, one-third of the Directors (including the non-executive Directors and independent non-executive Directors) are subject to retirement by rotation and re-election at each of the Company's annual general meeting and every Director shall be subject to retirement by rotation at least once in every three years in compliance with the Company's articles of association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with the underlying intentions of Code Provision A.4.1 of the CG Code.
3. Code Provision A.5.1 of the CG Code provides that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors. Following the resignation of Mr. Liang Guoxin as an independent non-executive Director with effect from 15 June 2020, the members of the Nomination Committee had not comprised a majority of independent non-executive Directors. On 8 December 2020, the Company appointed Dr. Tse Kwok Sang as an independent non-executive Director, a member of each of the Audit Committee and Nomination Committee and the chairman of the Remuneration Committee. The Company then re-complied with the Code Provision A.5.1.
4. Under the Code Provision C.2.1, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management provides information and updates to the members of the Board as and when appropriate.

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

#### **Non-compliance of the Listing Rules**

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

## **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 twelve months ended 31 December 2020.

## **AUDIT COMMITTEE**

The Company has established the Audit Committee in accordance with the requirements of the Code Provisions as set up in Appendix 14 of the Listing Rules. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Ms. Tian Guangmei (as the chairman), Mr. Liu Zhaoxiang and Dr. Tse Kwok Sang.

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 twelve months ended 31 December 2020 have been reviewed by the Audit Committee.

## **CHANGE OF COMPANY WEBSITE**

The Board hereby announces that the address of the website of the Company has been changed from [www.chinacaflc.com](http://www.chinacaflc.com) to [www.bozzagroup.com](http://www.bozzagroup.com) with effect from the date of this announcement.

## **PUBLICATION OF THE SECOND INTERIM RESULTS ANNOUNCEMENT AND SECOND INTERIM REPORT**

The 2020 second interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at <http://www.bozzagroup.com>. The 2020 second interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 26 February 2021

*As at the date of this announcement, the Board comprises Professor Fei Phillip, Mr. Li Wenjun, Mr. Wang Yue, Mr. Ng Kwok Hung Perry and Mr. Pang Kin Lung as executive Directors; Mr. Gu Sotong as non-executive Director; and Ms. Tian Guangmei, Mr. Liu Zhaoxiang and Dr. Tse Kwok Sang as independent non-executive Directors.*

\* *For identification purposes only*