



寶沙發展

China Bozza Development Holdings Limited

中國寶沙發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01069)

2023

ANNUAL REPORT

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Corporate Information

DIRECTORS

Executive Directors

Professor Fei Phillip (*Chairman*)

Mr. Li Wenjun (*Chief Executive Officer*)

Mr. Wang Yue (ceased to be an executive director on 22 May 2023)

Ms. Hui Hing Conniel

Mr. Lai Chi Yin Samuel

Mr. Wang Yibin (re-designated from an independent non-executive director to an executive director on 19 May 2023)

Mr. Chan Wai Lung (re-designated from an independent non-executive director to an executive director on 14 August 2023)

Non-executive Director

Mr. Gu Sotong

Independent non-executive Directors

Mr. Liu Zhaoxiang

Ms. Wong Hoi Ying

Mr. Guo Zhonglong

Mr. Chau Wing Nam (appointed on 14 August 2023)

Ms. Bu Xue (appointed on 14 August 2023)

AUDIT COMMITTEE

Mr. Chau Wing Nam (*Chairman*)

Mr. Guo Zhonglong

Ms. Bu Xue

REMUNERATION COMMITTEE

Mr. Chau Wing Nam (*Chairman*)

Mr. Guo Zhonglong

Ms. Bu Xue

NOMINATION COMMITTEE

Mr. Guo Zhonglong (*Chairman*)

Mr. Wang Yibin

Ms. Bu Xue

COMPANY SECRETARY

Mr. Chan Ngai Fan

Mr. Ngai Tsz Hin Michael (appointed on 28 July 2023)

AUTHORISED REPRESENTATIVES

Professor Fei Phillip

Mr. Ngai Tsz Hin Michael (appointed on 28 July 2023)

INDEPENDENT AUDITORS

CCTH CPA Limited

Certified Public Accountants

REGISTERED OFFICE

PO Box 1350

Windward 3

Regatta Office Park

Grand Cayman

KY1-1108

Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 12, 12/F., Tower A

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Hong Kong

HEAD OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA

Room 4101, Phase II Jingji Binhe Shidai Tower North,
Binhe Road South, Futian District,
Shenzhen, China

CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman

KY1-1108

Cayman Islands

Corporate Information (Continued)

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKER

China Construction Bank (Asia) Corporation Limited
11/F, Devon House
979 King's Road
Quarry Bay, Hong Kong

COMPANY WEBSITE

<http://www.caflc.co/>

STOCK CODE

01069

Financial Highlights

ANNUAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

- Revenue from continuing operations for the year ended 30 June 2023 (“**FY2023**”) amounted to approximately Renminbi (“**RMB**”) 58.7 million.
- Loss attributable to owners of the Company for FY2023 amounted to approximately RMB10.8 million (year ended 30 June 2022 (the “**FY2022**”): loss of approximately RMB18.9 million).
- Total comprehensive expense attributable to owners of the Company for FY2023 amounted to approximately RMB10.1 million (FY2022: RMB29.3 million).
- The gearing ratio as at 30 June 2023 was approximately 325.2% (2022: 427.9%), representing a decrease of 24.0% as compared with 2022.
- Basic loss per share from continuing and discontinued operations for FY2023 amounted to RMB9.80 cents (FY2022: loss of RMB17.14 cents).
- The board (the “**Board**”) of directors of the Company (the “**Directors**”) does not recommend the payment of any dividend for FY2023 (FY2022: nil).

Management Discussion and Analysis

BUSINESS AND OPERATIONAL REVIEW

The Group is principally engaged in the businesses of (a) forestry management and (b) ginseng business.

Forestry Management Business

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

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

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

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

In November 2022, the Group successfully obtained the logging permits for the calendar year of 2022 with logging quantity of approximately 16,648.0 cubic meters in aggregate. In order to activate the forestry management business of the Group, the management of the Group has further negotiated with the National Forestry and Grassland Administration and had obtained extra logging quotas amounting to approximately 10,305.0 cubic meters in December 2022 for the calendar year of 2023.

As at the date of this report, the Group has completed the sales of the aforementioned total approved logging quantity of approximately 26,953 cubic meters and has generated logging revenue of approximately RMB25.6 million for FY2023.

Management Discussion and Analysis (Continued)

Ginseng Business

To fully utilise the woodland of the Group and to maximise shareholders' return, the Group has begun the plantation of ginseng in the Group's existing forests and has commenced the trading of ginseng in August 2022.

The ginseng planted and sold by the Group is a compound hybridisation breed with traditional wild ginseng grown in the north or cold regions and other different varieties of ginseng, the key highlight of which is it can be planted indoor/under-forest and does not require planting in colder regions. During FY2023, the Group has entered into a legally-binding ginseng planting framework agreement with an independent third party supplier (the "Supplier") for the plantation of ginseng on the Senbo Forest. Pursuant to the said framework agreement, the Supplier will be responsible for, among others, the supply of ginseng seeds and culture medium, and provision of technical support and maintenance services (including fertilisation, weeding, insecticide and soil preparation) to the Group for a period of 10 years.

In December 2022, the Group has completed the first phrase of ginseng seeding according to its ginseng plantation plan of approximately 6 million pieces on the designated 59 Chinese Mu forest land in the Senbo Forest, which are expected to be sold in batches within 5 years.

As it will take time for the Group to self-grow its inventory of aged ginseng, as well as to capture the market share and develop its customer base in the ginseng industry in the PRC, the Group has also commenced the ginseng trading business in August 2022 by purchasing aged ginseng. The Group has also entered into a long-term supply framework agreement with the Supplier to ensure the stable supply of aged ginseng. Hence, revenue currently generated from the ginseng business is derived from the sale of ginseng that are purchased from the Supplier. During FY2023, the Group has recorded revenue of approximately RMB33.1 million from the ginseng business.

PROSPECT

In respect of the forestry management business, the Directors believe that the forestry management business has been resumed to normal and are confident in obtaining similar logging quantity for the calendar year of 2023 in the future, so as to improve the performance of the forestry management business of the Group.

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

QUALIFIED OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

The following is an extract of the independent auditor's report on the Group's financial statements for the year ended 30 June 2023:

Management Discussion and Analysis (Continued)

QUALIFIED OPINION

In our opinion, except for the possible effects on the matters as described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As detailed in our auditor’s report dated 28 February 2023 with disclaimer of opinion on the Group’s consolidated financial statements for the year ended 30 June 2022, we were unable to satisfy ourselves as to the existence, quantities and conditions of the Group’s plantation forest assets at 30 June 2022 and the bases used to arrive at the fair value less costs to sell of these plantation forest assets at that date amounted to approximately RMB35,910,000. Any adjustments that may be found to be made on the carrying amount of the plantation forest assets at 30 June 2022 may have significant impact on the net gains on change in fair value less costs to sell of plantation forest assets for the years ended 30 June 2023 and 30 June 2022 which were recognised in the consolidated statement of profit or loss and other comprehensive income and were included in other gains, net (Note 9 to the consolidated financial statements).

Our opinion on the Group’s consolidated financial statements for the current year ended 30 June 2023 is also modified because of the possible effect of the aforementioned matters on the comparability of the current year’s figures and the corresponding figures for the prior year ended 30 June 2022.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements regarding the preparation of the consolidated financial statements on a going concern basis.

The Group had consolidated net current liabilities and consolidated net liabilities amounted to approximately RMB420,273,000 and RMB316,708,000 respectively at 30 June 2023 while cash and bank balances included in consolidated current assets amounted to approximately RMB4,327,000 as at that date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. In light of all the measures and arrangements detailed in Note 2 to the consolidated financial statements, the directors are of the opinion that the Group will be able to continue as a going concern. Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their net realisable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements. Our opinion is not modified in respect of this matter.

Management Discussion and Analysis (Continued)

VIEWS OF THE BOARD AND THE AUDIT COMMITTEE ON THE QUALIFIED OPINION

The Board and the audit committee of the Company (the “**Audit Committee**”) noted that the consolidated financial statements of the Company for the year ended 30 June 2023 were subject to the qualified opinion (the “**Qualified Opinion**”) of the auditors, on the basis as set out in the section headed “Basis for Qualified Opinion” in the independent auditor’s report.

The Board and the Audit Committee did not express different views from that of the auditors. The audit committee meeting (the “**AC Meeting**”) was held on 30 September 2023, among others, to consider and approve the audited consolidated financial statements of the Company and the independent auditor’s report for the year ended 30 June 2023. During the AC Meeting, the auditors have reported their audit work performed for the independent auditor’s report of the Company for the year ended 30 June 2023. The Audit Committee obtained the understanding with the auditors that the audit opinion for the year ended 30 June 2023 is qualified only to the extent of the possible effect of any adjustments made on the carrying amount of the plantation forest assets at 30 June 2022 which may have significant impact on the net gains on change in fair value less costs to sell of plantation forest assets for the years ended 30 June 2023 and 30 June 2022 which were recognised in the consolidated statement of profit or loss and other comprehensive income and were included in other gains, net (Note 9 to the consolidated financial statements). Other than the possible effects on the aforesaid matters, according to the auditors, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRSs issued by HKICPA and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

The Board and the Audit Committee are of the view that the Qualified Opinion for the year ended 30 June 2023 is a consequential effect of the disclaimer of opinion relating to the audit of the Group’s consolidated financial statements for the year ended 30 June 2022 on the comparability of the current year’s figures and the corresponding figures for the prior year ended 30 June 2022 in the consolidated statement of profit or loss and other comprehensive income and the related notes disclosures. The Audit Committee also critically reviewed the matters after discussion with the auditors and the Board, and confirmed that it agreed with the Board position and basis of the Qualified Opinion.

After discussion with the auditors, the Qualified Opinion is expected to be completely removed in the consolidated financial statements of the Group for the year ending 30 June 2024.

Management Discussion and Analysis (Continued)

VIEWS OF THE BOARD ON THE MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

As disclosed in Note 2 to the consolidated financial statements, the Group's net liabilities amounted to approximately RMB316,708,000; and (b) the current liabilities of the Group at 30 June 2023 exceed its current assets at that date by approximately RMB420,273,000, and that the Group's current liabilities at that date includes promissory notes payable, corporate bonds payable and accrued interests on these payables with the carrying amounts of approximately RMB58,035,000, RMB282,191,000 and RMB37,937,000 respectively. The Directors consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures implemented or to be implemented:

- (i) On 28 July 2023, the Company completed the restructuring of the company's equity and debt (the "**Restructuring**") as contemplated under the restructuring framework agreement dated 30 December 2022 (the "**Restructuring Framework Agreement**"), pursuant to which the Company implemented restructuring of the debts, liabilities and share capital of the Company, including (i) on 28 July 2023, the Company issued 466,000,000 shares to Zhonggangtong International Holding Group Co., Limited (the "**Investor**") at the issue price of HK\$0.1288 per share for a total consideration of approximately HK\$60 million, part of which has been applied for the settlement of the outstanding amount of the credit facility, approximately amounted to HK\$26 million, drawn down by the Company under the Funding Agreement and the claims of creditors under the Creditors' Scheme; (ii) on 28 July 2023, the Company issued 140,000,000 shares to China Bozza Scheme Limited ("**Scheme Company**"), which holds the shares for the benefit of the creditors, at the issue price of HK\$0.55 per share for a total consideration of approximately HK\$77 million, on a pro-rata basis for the claims of creditors under the Creditors' Scheme; and (iii) on 28 July 2023, the Company issued promissory notes with a principal amount of HK\$120 million, carrying interest at nil % for the first year, 2% per annum for the second year, 3% per annum for the third year, 4% per annum for the fourth year and 6% per annum for the fifth year, to the Scheme Company for the benefit of the creditors on a pro-rata basis for the claims of creditors under the Creditors' Scheme, and the promissory note will mature on 28 July 2028. Details regarding the Restructuring Framework Agreement are set out in the announcements dated 30 December 2022 and 28 July 2023 made by the Company; and
- (ii) Management of the Group will closely monitor the financial position of the Group and the Directors will make every effort (a) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (b) to negotiate with the holders of the promissory notes payable, and the lenders of the corporate bonds payable for the extension of repayments of these notes and bonds to a date when the Group has adequate working capital to serve the repayments.

In light of the measures and arrangements implemented to date, the Directors are of the view that the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Management Discussion and Analysis (Continued)

FINANCIAL REVIEW

Revenue

During FY2023, the Company recorded revenue from continuing operations of approximately RMB58.7 million (FY2022: approximately RMB6.8 million). The Group's revenue for FY2023 was attributable to the revenue from the forestry business and the ginseng business of the Group. The Group's container houses business was classified as discontinued operation during the FY2022 respectively and there was no revenue generated from the Group's discontinued operation during FY2023.

Gross profit and gross profit margin

For FY2023, the Group recorded gross profit of approximately RMB11.5 million (FY2022: nil); and gross profit margin of approximately 19.6%. The increase was due to trading of the ginseng business during FY2023 which brought satisfactory revenue to the Group.

Selling and distribution expenses

The selling and distribution expenses recognised for FY2023 from continuing operations amounted to approximately RMB720,000 (FY2022: approximately RMB45,000). The selling and distribution costs were mainly attributable to advertising expense.

Administrative expenses

The administrative expenses from continuing operations increased approximately 64.6% from approximately RMB11.7 million for FY2022 to approximately RMB19.2 million for FY2023. The increase in administrative expenses was mainly attributable to legal and professional fee and management fee.

Other gains, net

For FY2023, the Group recorded other gains of approximately RMB2.7 million from continuing operations (FY2022: approximately RMB12.4 million). Other gains mainly consisted of net gain on change in fair value less costs to sell of plantation forest assets of approximately RMB38.1 million and exchange loss of approximately RMB34.6 million.

Finance costs

For FY2023, the Group recorded finance costs from continuing operations of approximately RMB11.7 million, representing a decrease of approximately 44.9% as compared to approximately RMB21.2 million for FY2022. 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 approximately HK\$279,769,000 bearing interest rates ranging from 4.00% to 11.33% per annum.

Management Discussion and Analysis (Continued)

Profit and total comprehensive expenses attributable to owners of the Company

The Company recorded a loss of approximately RMB10.8 million for FY2023 as compared to a loss of approximately RMB18.9 million for FY2022. The total comprehensive expenses attributable to owners of the Company was approximately RMB10.1 million for FY2023 as compared to the total comprehensive expense of approximately RMB29.3 million for FY2022.

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 and certain net proceeds from fund raising activities. As at 30 June 2023, the Group had total assets of approximately RMB140.6 million and net liabilities of approximately RMB316.7 million. The Group's cash and bank balances as at 30 June 2023 amounted to approximately RMB4.3 million. As at 30 June 2023, there was no unutilised banking facilities (2022: nil).

Promissory note issued on 6 June 2017 (the "Note A")

On 31 May 2017, the Company and the vendors, six independent third parties entered into an acquisition agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire the entire issued share capital in Garden Glaze Limited, 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 Limited is an investment holding company incorporated in the British Virgin Islands with limited liability. Through its wholly-owned subsidiaries, Garden Glaze Limited 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.

As at 30 June 2023, the Note A with the principal amount of HK\$23,800,000 (2022: HK\$23,800,000) remained outstanding and overdue.

Management Discussion and Analysis (Continued)

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 Limited 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 30 June 2023, the Note B with the principal amount of HK\$34,100,000 (2021: HK\$34,100,000) remained outstanding and overdue.

Corporate bonds

During the eighteen months ended 30 June 2021, the Company entered into subscription agreements with 4 independent private investors pursuant to which the investors have agreed to subscribe and the Company has agreed to issue the corporate bonds in the aggregate principal amount of approximately HK\$6.2 million at par value, bearing interest rate of 8% per annum and maturity date is about 1 year from the date of issue.

During the eighteen months ended 30 June 2021, the Group made repayments of part of the corporate bonds with the aggregate principal amount of approximately HK\$2.4 million.

As at 30 June 2023, the corporate bonds with the principal amount of approximately HK\$279,769,000 (2022: HK\$279,769,000) remained outstanding and overdue.

The Creditors' Scheme have become effective on 28 July 2023, the above corporate bonds and promissory notes were eliminated subsequently.

PLEDGE ON ASSETS

As at 30 June 2023, there was no pledge of assets of the Group (2022: nil).

SIGNIFICANT INVESTMENT OR ACQUISITIONS AND DISPOSAL

On 16 August 2023, the Company, as the purchaser, entered into the equity sale and purchase agreement (the “**Equity Sale and Purchase Agreement**”) with Shaanxi Jiashisen Pharmaceutical Investment Company Limited* (陝西佳仕森藥業投資有限公司) (the “**Vendor**”), pursuant to which the Company has agreed conditionally to acquire, and the Vendor has agreed conditionally to sell 52% equity interest in 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) (the “**Target Company**”), at the consideration of RMB7,128,670 (equivalent to approximately HK\$7,665,236.56) (the “**Acquisition**”).

Upon the completion of the Acquisition, 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.

Management Discussion and Analysis (Continued)

For more details, please refer to the announcements of the Company dated 7 September 2023 and 8 September 2023.

Save as disclosed above, there were no significant investment held or material acquisitions and disposals of subsidiaries for FY2023 and up to the date of this report. (FY2022: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no future plans for material investments or capital assets as at 30 June 2023.

CAPITAL COMMITMENTS

The Group has no capital commitments as at 30 June 2023 (2022: nil).

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and Renminbi. 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 FY2023, 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 325.2% as at 30 June 2023 (2022: 427.9%). As at 30 June 2023, promissory notes with the principal amount of approximately HK\$57.9 million remained outstanding and the corporate bonds with the principal amount of approximately HK\$279.8 million remained outstanding.

CAPITAL STRUCTURE

The share capital of the Company comprises only ordinary shares. As at 30 June 2023, the total number of the ordinary shares of the Company in issue was 11,024,220,415 shares (2022: 11,024,220,415 shares). The total deficit on equity attributable to owners of the Company was approximately RMB316.7 million (2022: total deficit on equity of approximately RMB306.6 million).

On 14 July 2023, the Company had completed the capital reorganisation of its share capital. As at the date of this report, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each and the issued and fully paid-up capital of the Company is HK\$7,162,422.04 divided into 716,242,204 shares of HK\$0.01 each.

Management Discussion and Analysis (Continued)

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 18 employees and management personnel as compared to 16 employees and management personnel as at 30 June 2022. Total staff costs for the Reporting Period, including Directors' remuneration, amounted to approximately RMB5.3 million (FY2022: approximately RMB4.9 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.

EVENTS AFTER THE REPORTING PERIOD

On 28 July 2023, the Company had (i) completed the Restructuring pursuant to the Restructuring Framework Agreement entered between the Company, 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. as the former joint provisional liquidators (for restructuring purposes) of the Company (the "**Former JPLs**") and the Investor on 30 December 2022 and (ii) had fulfilled all the resumption guidance issued by The Stock Exchange of Hong Kong Limited to the Company.

The trading of the Company's shares was also resumed with effect from 9:00 a.m. on 28 July 2023.

For more details, please refer to the Company's announcements dated 28 July 2023 in relation to the completion of the Restructuring and the fulfilment of resumption guidance and resumption of trading.

On 16 August 2023, the Company, as the purchaser, entered into the equity sale and purchase agreement (the "**Equity Sale and Purchase Agreement**") with Shaanxi Jiashisen Pharmaceutical Investment Company Limited* (陝西佳仕森藥業投資有限公司) (the "**Vendor**"), pursuant to which the Company has agreed conditionally to acquire, and the Vendor has agreed conditionally to sell 52% equity interest in 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) (the "**Target Company**"), at the consideration of RMB7,128,670 (equivalent to approximately HK\$7,665,236.56) (the "**Acquisition**").

As one or more of the percentage ratios applicable to the Acquisition exceeded 100%, the Acquisition constituted a very substantial acquisition for the Company and was subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Stock Exchange.

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 Extraordinary General Meeting (the "**EGM**") would be despatched to the shareholders of the Company (the "**Shareholder(s)**") in due course.

Management Discussion and Analysis (Continued)

Upon the completion of the Acquisition, 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.

For more details, please refer to the announcements of the Company dated 7 September 2023 and 8 September 2023.

Save as disclosed above, no event has occurred after 30 June 2023 and up to the date of this report which would have a material effect on the Group.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for FY2023 (FY2022: Nil).

SUMMARY OF FIVE-YEAR FINANCIAL INFORMATION

A summary of the consolidated results and the assets and liabilities of the Group for the two years ended 30 June 2023 and 2022, for the eighteen months ended 30 June 2021, and for the two years ended 31 December 2019 and 2018 is set out as follows:

Results

| | For the year ended | | For the | For the year ended 30 June | |
|--|--------------------|-----------|-----------|----------------------------|-----------------|
| | 31 December | | eighteen | 30 June | |
| | 2018 | 2019 | months | 2022 | 2023 |
| | RMB'000 | RMB'000 | ended | RMB'000 | RMB'000 |
| | | | 30 June | | |
| | | | 2021 | | |
| Revenue | 51,359 | 54,254 | 25,648 | 6,756 | 58,717 |
| Gross profit | 29,128 | 34,812 | 2,092 | – | 11,510 |
| Loss before tax | (18,797) | (340,292) | (553,380) | (20,383) | (9,374) |
| Loss attributable to owners of the Company | (7,739) | (340,484) | (553,630) | (18,900) | (10,800) |

Assets and Liabilities

| | As at 31 December | | As at 30 June | | |
|--------------------------|-------------------|---------|---------------|-----------|------------------|
| | 2018 | 2019 | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current assets | 713,910 | 570,969 | 76,456 | 80,571 | 118,022 |
| Current assets | 175,552 | 17,537 | 10,450 | 12,946 | 22,621 |
| Current liabilities | 90,718 | 176,966 | 307,038 | 347,811 | 442,894 |
| Net assets/(liabilities) | 600,620 | 252,237 | (277,319) | (306,635) | (316,708) |

Biographical Information of Directors and Senior Management

Brief biographical details of the Directors and senior management of the Group as at the date of this report are set out as follows:

EXECUTIVE DIRECTORS

Professor Fei Phillip (“Professor Fei”), aged 67, is the chairman, an executive Director and an authorised representative of the Company. He is the professor of International Economic Department of the University of International Relations (國際關係學院), the Peoples Republic of China. Currently he is the council member of the Chinese Overseas Friendship Association (中華海外聯誼會理事) and the China Council for the Promotion of Peaceful National Reunification (中國和平統一促進會). He is also the specially invited committee member of the Hebei Committee for Liaison with Hong Kong, Macao, Taiwan and Overseas Chinese and Foreign Affairs* (河北港澳台僑和外事委員會). He has over 10 years of experience in the international finance, trading business and economic researches.

Mr. Li Wenjun (“Mr. Li”), aged 64, is an executive Director and the chief executive officer of the Company. He graduated with a Bachelor’s Degree in Chemical Engineering from the Department of Chemical Machinery at South China University of Technology, the People’s Republic of China in July 1982. Mr. Li formerly served as (i) an executive director of Kiu Hung International Holdings Limited (Stock Code: 00381) during March 2017 to June 2017; (ii) an executive director of KEYNE LTD (formerly known as Nine Express Limited) (Stock code: 0009) during October 2015 to December 2016; (iii) the executive director and deputy general manager of China Water Industry Group Limited (Stock code: 1129) during June 2009 to August 2011, shares of the above companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); (iv) the executive director of Chinese Energy Holdings Limited (formerly known as iMerchants Limited) (Stock Code: 8009) during March 2008 to September 2011, shares of which are listed on the GEM of the Stock Exchange. Mr. Li has accumulated over 30 years working experience in chemical engineering, corporate and project management and mergers and acquisitions.

Ms. Hui Hing Conniel (“Ms. Hui”), aged 48, holds a Diploma in Business Administration from The Society of Business Practitioners. Ms. Hui is currently a director of PDC Group International Limited which is principally engaged in trading of electronic products. She is the President of Hong Kong Youth Association.

Mr. Lai Chi Yin Samuel (“Mr. Lai”), aged 60, holds a Master’s Degree of Business Administration (MBA) and Higher Diploma of Business Administration from the University of Wales. Mr. Lai is currently a director of DreamPro Lifestyle & Sports Management Company Limited, a private limited company registered in Hong Kong which is principally engaged in organization of sports events. Mr. Lai has accumulated over 30 years’ working experience as an executive in sales, marketing, administration and personnel while working at international companies in the United Kingdom, Hong Kong, Singapore, Thailand, and Pakistan. On 16 January 2020, Mr. Lai was appointed as the independent non-executive director of Kiu Hung International Holdings Limited (僑雄國際控股有限公司) (Stock code: 0381), a company listed on the Main Board of the Stock Exchange.

Biographical Information of Directors and Senior Management (Continued)

Mr. Wang Yibin (“Mr. Wang”), aged 55, has more than 18 years of experiences in banking, insurance, fund investment and securities management. He had worked as a chief executive officer and a general manager of Bensun Plastic Metal Products Co., Ltd (博羅縣立泰塑膠五金製品有限公司) for more than 10 years. Mr. Wang obtained a bachelor’s degree in Business Administration from Henan University of Economics and Law in 1994.

Mr. Chan Wai Lung (“Mr. Chan”), aged 42, has years of experience in business planning and development. Mr. Chan has been an executive Director of Finsoft Financial Investment Holdings Limited (“**Finsoft**”, a company listed on the GEM of the Stock Exchange with Stock Code 8018) since June 2017 and has been the Chief Executive Officer of Finsoft since December 2021. Mr. Chan has been a director of Draco International Investment (Holdings) Limited (specialising in designing corporate structures) since July 2013, and a director of Draco Human Resources Management Limited since November 2016. Mr. Chan was a non-executive director of Noble Engineering Group Holdings Limited, a company listed on GEM of the Stock Exchange with Stock Code: 8445) from August 2018 to January 2020.

Mr. Chan was appointed as a business development consultant (招商顧問) by the Management Committee of the Haining Economic Development Zone, Zhejiang Province, the PRC in April 2017. In October 2017, he obtained his Honorary Doctorate in Business Administration from Sabi University. In November 2019, Mr. Chan completed a postdoctoral research project at California State University Monterey Bay.

NON-EXECUTIVE DIRECTOR

Mr. Gu Sotong (“Mr. Gu”), aged 56, has extensive experience in research, development and testing of high-tech products and market expansion. Mr. Gu is currently the head of the Shenzhen workstation of 公安部檢測中心 (the Testing Center of the Ministry of Public Security*) and the chairman of 深圳市東方威視科技有限公司 (Shenzhen Dongfang Weishi Technology Company Limited*) (“**Dongfang Weishi**”). Dongfang Weishi is mainly engaged in testing of security products in Shenzhen. He graduated from 北京社會函授大學 (Beijing Society Hanshou University*).

Biographical Information of Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Zhaoxiang (“Mr. Liu”), aged 76, is an independent non-executive Director. He graduated with a Bachelor degree in industrial economics and management at the Economics Management and Journal Union University (經濟管理刊授聯合大學) of the PRC in 1986. Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants since 18 March 2000. He has more than 42 years of experience in accounting and auditing, and worked at various stated-owned enterprises, government departments at municipal level and an accounting firm in Hubei Province of the PRC. From 2005 to 2012, Mr. Liu had been a partner of Wongga Partners Certified Public Accountants (SZ) (深圳皇嘉會計師事務所) and since 2012, he has been a chief auditor of the said accounting firm.

Ms. Wong Hoi Ying (“Ms. Wong”), aged 35, has over 12 years of experience in auditing, accounting, financial management, and regulatory compliance. She is currently the financial controller of Smart Wealth Engineering Limited. She is responsible for providing financial analysis and company financial status to the board for business decision making and monitor company debt level. Prior to working in Smart Wealth Engineering Limited, Ms. Wong worked at a number of companies, including at Shinewing (HK) CPA Limited.

Ms. Wong is a member of the Hong Kong Institute of Certified Public Accountants and a member of Institute of Chartered Accountants in England and Wales. Ms. Wong obtained a Bachelor of Arts (Accounting and Finance) Degree from Edinburgh Napier University in March 2019.

Mr. Guo Zhonglong (“Mr. Guo”), aged 73, has more than 20 years of experience in accounting and corporate finance. Mr. Guo worked as a general manager in the Shenzhen branch of Shinewing (HK) CPA Limited from 2003 to 2004. Mr. Guo obtained a Master degree in Accountancy from the Dongbei University of Finance and Economics in 2002 and had been a member of The Chinese Institute of Certified Public Accountants from 1993-2020.

Mr. Chau Wing Nam (“Mr. Chau”), aged 35, obtained his Bachelor’s degree in Accounting and Accounting Technologies from the Curtin University of Technology in August 2012. He has been a member of Hong Kong Institute of Certified Public Accountants since May 2017. He has over ten years of experience in auditing, accounting and corporate management and is currently responsible for corporate finance, mergers and acquisitions matters, investors relations, corporate governance as well as compliance affairs. Mr. Chau is currently a manager of Ample Capital Limited and is a licensed person registered under the Securities and Futures Ordinance to carry out Type 6 (advising on corporate finance) regulated activity.

Mr. Chau is currently an independent non-executive director of K Group Holdings Limited (HKEX stock code: 8475) since June 2022 and an independent non-executive director of Mobile Internet (China) Holdings Limited (HKEX stock code: 1479) since February 2023.

Ms. Bu Xue (“Ms. Bu”), aged 34, obtained her Bachelor’s degree in Business Administration from Zhengzhou University of Aeronautics in July 2011. She has attained the accounting professional qualification issued by Ministry of Human Resources and Social Security and Ministry of Finance of the People’s Republic of China since September 2020 and has attained the qualification of tax advisor issued by The China Certified Tax Agents Association since December 2022. She has over ten years of experience in marketing and business development.

Biographical Information of Directors and Senior Management (Continued)

SENIOR MANAGEMENT

Mr. Chan Ngai Fan (“Mr. Chan”), aged 43, was appointed as the company secretary and an authorized representative of the Company in May 2021. Mr. Chan has approximately 15 years of experience in auditing, accounting and financial management. In the early stage of his career, Mr. Chan worked successively in JBPB & Company (formerly known as Grant Thornton and later merged with BDO Limited), with his last position as an assistant manager in assurance from August 2007 to February 2011. From March 2011 to April 2015, he served as the chief financial officer of a PRC-based mining company.

Mr. Chan acted as the financial controller of KPa-BM Holdings Limited (stock code: 2663) from May 2015 to April 2018. He acted as an independent non-executive director of Sino Vision Worldwide Holdings Limited (formerly DX. com Holdings Limited) (stock code: 8086) from August 2017 to September 2018. In addition, he acted as a non-executive director of Shenzhen Mingwah Aohan High Technology Corporation Limited (stock code: 8301) from September 2016 to April 2018 and from January 2019 to March 2019. He also acted as an executive director and the chief financial officer of Shenzhen Mingwah Aohan High Technology Corporation Limited (stock code: 8301) from April 2018 to January 2019. Afterwards, he acted as the company secretary of Sino Vision Worldwide Holdings Limited (formerly DX. com Holdings Limited) (stock code: 8086) from January 2019 to May 2019. In addition, he acted as an independent non-executive director of Sanxun Holdings Group Limited (stock code: 6611) from September 2019 to September 2023 and acted as an independent non-executive director of Contel Technology Company Limited (stock code: 1912) from March 2022 to June 2023.

Currently, he acts as an independent non-executive director of Leader Education Limited (stock code: 1449) since July 2020 and an independent non-executive director of Capital Finance Holdings Limited (stock code: 8239) since January 2022. He also acted as the joint company secretary of Centenary United Holdings Limited since January 2019, the company secretary of Bison Finance Group Limited (stock code: 888) since August 2022 and the company secretary of Zhengwei Group Holdings Company Limited since June 2022 for handling compliance related matters.

Mr. Chan obtained a bachelor’s degree in Arts in Accountancy and a master’s degree in Corporate Governance from the Hong Kong Polytechnic University in December 2007 and October 2013, respectively. He is a member of the Hong Kong Institute of Certified Public Accountants (Practising), and an associate member of the Hong Kong Institute of Chartered Secretaries since February 2011 and November 2019, respectively.

Mr. Ngai Tsz Hin, Michael (“Mr. Ngai”), aged 34, has over ten years of experience in the legal industry. He obtained the Bachelor of Laws and postgraduate certificate in laws from the City University of Hong Kong in 2011 and 2012, respectively. He is a practising solicitor in Hong Kong, currently a partner of Khoo & Co. and the principal of Michael Ngai & Co.. Mr. Ngai has been an independent non-executive director of Coolpad Group Limited (stock code: 2369) since January 2022. He also serves as a company secretary of various companies listed on the Stock Exchange.

Directors' Report

The Directors are pleased to present this annual report together with the audited financial statements of the Group for FY2023.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in Note 42 to the consolidated financial statements. During FY2023, the Group has positioned the forestry management business and ginseng business as its core businesses. As at 30 June 2023, the long and medium lease forest lands in the PRC owned by the Group were approximately 21,045 Chinese Mu, 9,623 Chinese Mu, 13,219 Chinese Mu, 30,653 Chinese Mu and 42,814 Chinese Mu in the Hengchang Forest, the Kunlin Forest, the Senbo Forest, Ruixiang Forest and Wantai Forest, respectively.

Among its core businesses, the Group achieved a revenue of approximately RMB25.6 million in the forestry management and approximately RMB33.1 million in the ginseng business for FY2023.

An analysis of the Group's performance for FY2023 by business and geographical segments is set out in Note 7 to the consolidated financial statements of this annual report.

FINANCIAL RESULTS

The performance of the Group for FY2023 and the Group's financial position at that date are set out in the consolidated financial statements on pages 47 to 142 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for FY2023 attributable to the Group's major suppliers and customers are as follows:

| | Percentage of the total purchases/ sales accounted for (%) |
|---------------------------------------|--|
| Purchase | |
| – the largest supplier | 51% |
| – the five largest suppliers combined | 100% |
| Sales | |
| – the largest customer | 16% |
| – the five largest customers combined | 60% |

None of the Directors or any of their associates or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any material beneficial interest in the Group's five largest customers and suppliers.

Directors' Report (Continued)

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during FY2023 are set out in Note 17 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of movements during FY2023 in the share capital of the Company are set out in Note 33 to the consolidated financial statements of this annual report.

BORROWINGS

The Group has no secured bank borrowings as at 30 June 2023. Details of promissory notes payable and corporate bonds payable by the Group are set out in Note 29 and Note 30 respectively.

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past 5 financial years is set out in the section of "Summary of Five-Year Financial Information" of this annual report.

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

PRINCIPAL RISK AND UNCERTAINTIES FACING THE COMPANY

Impact of local and international regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities in Mainland China. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Currency risk

No significant revenue derived by the Group in respect of FY2023 and FY2022 were denominated in foreign currencies. Substantially all of the costs incurred for both of FY2023 and FY2022 were denominated in functional currencies of the group entities.

At 30 June 2023 and 30 June 2022, the companies in the Group had some monetary assets and liabilities which were denominated in foreign currencies. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

As at 30 June 2023 and 30 June 2022, the Group was exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Credit risk

As at 30 June 2023, the Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets derived from its loans receivable, trade and other receivables and deposits at banks. Majority of the Group's bank deposits are placed in a bank which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past. The Group has large number of customers and there was concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

Directors' Report (Continued)

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during FY2023.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the Directors knowledge, at least 25% of the Company's issued shares was held by the public throughout FY2023.

RESERVES

Details of movements in the reserves of the Company and the Group during FY2023 are set out in Note 41 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2023, the Company does not have any reserve available for distribution to owners (2022: nil).

DIRECTORS

The list of Directors during the period and up to the date of this annual report is set out in the "Board Composition" section of this annual report. Information about the Board, including board members' appointments and retirements, and their interests in Company's shares, is set out in the "Corporate Governance Report" of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and Senior Management as at the date of this annual report are set out in the "Biographical Information of Directors and Senior Management" section of this annual report.

DIRECTORS' SERVICE AGREEMENT

None of the Directors, including those retired or to be re-elected at the forthcoming annual general meeting, has a service agreement which is not determinable by the Group within one year without the payment of compensation (other than statutory compensation).

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the directors and five individuals with highest emoluments are set out in Note 14 to the consolidated financial statements.

Directors' Report (Continued)

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

As at 30 June 2023, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position/short position in shares of the Company

| Name | Capacity | Long position/ Short position | Number of ordinary shares | Percentage of issued share capital (Note 1) |
|------------------|------------------|----------------------------------|------------------------------|--|
| Hui Hing Conniel | Beneficial owner | Long Position | 10,000,000 | 0.09 |

Note:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2023 i. e. 11,024,220,415 shares.

Save as disclosed above, as at 30 June 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report (Continued)

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, to the best knowledge of the Directors, the following persons had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

| Name | Capacity | Long position/ short position | Number of ordinary shares | Percentage of issued share capital (Note 1) |
|----------|------------------|----------------------------------|------------------------------|--|
| Wang Yue | Beneficial owner | Long Position | 3,197,023,920 | 29.00 |

Notes:

1. The relevant percentage is calculated by reference to the Shares in issue on 30 June 2023 i.e. 11,024,220,415 shares.
2. Mr. Wang directly holds 3,092,703,920 Shares and he is deemed to be interested in 104,320,000 Shares which are beneficially owned by his spouse under Part XV of the SFO.

Save as disclosed above, as at 30 June 2023, there were no other persons who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

FINAL DIVIDEND

The Board does not recommend the payment of any dividend for FY2023 (FY2022: nil).

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during FY2023.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "Interests and Short Positions of the Directors in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

Directors' Report (Continued)

CONNECTED TRANSACTIONS

On 30 December 2022, the Company and the Former JPLs entered into the Restructuring Framework Agreement with the Investor, pursuant to which the Company implemented the Restructuring including (i) the capital reorganisation of the Company and the change in board lot size of shares of the Company; (ii) the Investor's share subscription; (iii) the scheme of arrangement proposed by the Company pursuant to section 670 of the Companies Ordinance (Cap. 622) (the "**Creditors' Scheme**"); (iv) the whitewash waiver obtained from the Securities and Futures Commission of Hong Kong ("**SFC**") pursuant to the Hong Kong Code on Takeovers and Mergers issued by the SFC ("**Takeovers Code**") in respect of the allotment and issue of the subscription shares to the Investor; and (v) the special deals under Rule 25 of the Takeovers Code in respect of the proposed settlement of indebtedness to certain directors and shareholders of the Company under the Creditors' Scheme. Please refer to the announcement of the Company dated 30 December 2022 (the "**Restructuring Announcement**") for details of the Restructuring Framework Agreement.

As announced in the Restructuring Announcement and the circular dated 3 March 2023 (the "**Circular**") in relation to the Restructuring, based on the records available to the Company, the Company has certain director's remuneration owed to (i) Professor Fei Phillip, Mr. Li Wenjun, Mr. Wang Yue, Ms. Hui Hing Conniel, Mr. Lai Chi Yin Samuel, Mr. Liu Zhaoxiang, Ms. Wong Hoi Ying, Mr. Wang Yibin and Mr. Guo Zhonglong, respectively, each a Director at the date of the Restructuring Framework Agreement (the "**Director Creditors**"); and (ii) Ms. Tian Guangmei, Dr. Tse Kwok Sang, Mr. Pang Kin Lung and Mr. Ng Kwok Hung, respectively, each a former Director in the last 12 months preceding the date of the Restructuring Framework Agreement (the "**Former Director Creditors**"). Therefore, each of the Director Creditors and the Former Director Creditors is a creditor of the Company, and subject to adjudication by the Scheme Administrators (as defined in the Circular) upon the Creditors' Scheme taking effect, each of the Director Creditors and the Former Director Creditors may also be a Creditor (as defined in the Circular). Please refer to the Circular for details on the settlement of indebtedness under the Creditors' Scheme to each of the Director Creditors and the Former Director Creditors.

Accordingly, the Scheme Shares Issue (as defined in the Circular) to the Director Creditors and the Former Director Creditors under the Creditors' Scheme constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Each of Professor Fei Phillip, Mr. Li Wenjun, Mr. Wang Yue, Ms. Hui Hing Conniel, Mr. Lai Chi Yin Samuel, Mr. Liu Zhaoxiang, Ms. Wong Hoi Ying, Mr. Wang Yibin and Mr. Guo Zhonglong had abstained from approving the relevant board resolutions on the Scheme Shares Issue (as defined in the Circular) to them under the Creditors' Scheme.

Details of the related party transactions carried out in the normal course of business are set out in Note 38 to the consolidated financial statements of this annual report. None of these related party transactions constitutes a connected transaction or continuing connected transaction as defined under the Listing Rules, and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above, there is no other transaction of the Company entered into during FY2023 which requires disclosure in this annual report in accordance with Chapter 14A of the Listing Rules.

Directors' Report (Continued)

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During FY2023, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

During FY2023, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or were in existence.

RETIREMENT BENEFIT SCHEMES

Particulars of the retirement benefit schemes of the Group are set out in Note 34 to the consolidated financial statements.

CORPORATE GOVERNANCE

The Company's principal corporate governance practices are set out in the Corporate Governance Report of this annual report.

AUDITORS

The consolidated financial statements of the Group for FY2023 were audited by CCTH CPA Limited, who would retire at the forthcoming AGM of the Company and, being eligible, offer themselves for reappointment. A resolution will be submitted to the forthcoming annual general meeting of the Company for Shareholders to re-appoint CCTH CPA Limited as auditors of the Company.

On behalf of the Board
Professor Fei Phillip
Chairman and Executive Director

Hong Kong, 30 September 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted all the principles of good corporate governance (the “**Principles**”) and 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 FY2023, in the opinion of the Board, the Company complied with all the Principles and Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions C.1.8 and D.1.2 as addressed below:

1. Under Code Provision C.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. As at 30 June 2021, the Company has not arranged to purchase any Directors and Officers’ Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall support Directors in any events arising from corporate activities.
2. Under Code Provision D.1.2, the management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management provides information and updates to the members of the Board from time to time, which the Directors consider to be sufficient and appropriate in the circumstances to enable them to form a balanced and understandable assessment of the Company’s performance and to discharge their duties.

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

FAILURE TO COMPLY WITH THE MAIN BOARD LISTING RULES

During FY2023, the Company failed to comply with the following financial reporting provisions under the Listing Rules in due course: (i) announce the interim results for the six months ended 31 December 2022; and (ii) issue the interim report for the six months ended 31 December 2022. Such delays constituted the violation of Rule 13.48(1) and Rule 13.49(6) of the Listing Rules.

THE BOARD

Roles and Responsibilities

The Board is responsible for overseeing the overall development of the Company’s businesses with the objective of enhancing shareholders’ value including setting and approving the Company’s strategic implementation, considering substantial investments, reviewing the Group’s financial performance half-yearly and developing and reviewing the Group’s policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its Shareholders.

Executive Directors are responsible for running the Group and executing the strategies adopted by the Board. The non-executive Directors (including the independent non-executive Directors) serve the relevant function of bringing independent judgment on the development, performance and risk management of the Group through their contributions in board meetings.

Corporate Governance Report (Continued)

Board Composition

The Board structure is governed by the Company's articles of association. The composition of the Board is well balanced with each Director having sound industry knowledge, extensive corporate and strategic planning experience and/or expertise relevant to the business of the Group.

Board Diversity Policy

The Board has adopted a policy of the Board diversity (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. Under the Board Diversity Policy, the Company considers diversity of Board members to be achieved through consideration of a number of aspects, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments are based on merit and contribution, and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee is responsible for reviewing and monitoring the implementation of the Board Diversity Policy to ensure the effectiveness of the Board Diversity Policy.

The Board recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members. As at 30 June 2023, the Board comprised ten Directors, two of which were female and we targets to maintain at least one female Director. The board considers that gender diversity on the Board has been achieved. When selecting and making recommendations on suitable candidates as Directors in the future, we will consider their appointment based on our diversity policy and take opportunities to increase the proportion of female Directors on the Board.

Our diversity philosophy including the gender diversity was generally followed in the workforce throughout the Group for FY2023. As at 30 June 2023, approximately 18.18% of our senior management and approximately 42.11% of our total workforce were female. We will continue with our endeavor to increase female representation in our workforce.

The Board has reviewed the implementation and effectiveness of the Board Diversity Policy of the Company for FY2023 and considered it to be effective.

As at 30 June 2023, the Board comprises five executive Directors, one non-executive Director and four independent non-executive Directors as follows:

Executive Directors:

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

Non-executive Director:

Mr. Gu Sotong

Independent non-executive Directors:

Mr. Liu Zhaoxiang
Ms. Wong Hoi Ying
Mr. Guo Zhonglong
Mr. Chan Wai Lung

Corporate Governance Report (Continued)

Appointment, Re-Election and Removal of Directors

On 19 May 2023, Mr. Wang Yibin was re-designated from an independent non-executive Director to an executive Director.

On 19 May 2023, Mr. Chan Wai Lung was appointed as an independent non-executive Director and the chairman of the remuneration committee of the Company (the “**Remuneration Committee**”) and a member of the Audit Committee.

On 22 May 2023, Mr. Wang Yue ceased to be an executive Director due to the vacation of his office arising from his absence from the meetings of the Board for more than six consecutive months.

Each of the non-executive Director, Mr. Gu Sotong and the independent non-executive Director, Mr. Liu Zhaoxiang is not appointed for a specific term of service. Each of the independent non-executive Director, Ms. Wong Hoi Ying, Mr. Guo Zhonglong and Mr. Chan Wai Lung has entered into a contract of appointment with the Company for a term of one year commencing from the appointment date, which can be terminated before the expiration of the term by not less than one month notice in writing served by either party on the other. According to the Company’s articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years. The Directors to retire every year shall be those appointed by the Board during the year and those who have been longest in office since their last re-election. Pursuant to the Company’s articles of association, all Directors are all eligible for re-appointment and three of them shall retire from office at the coming annual general meeting, who shall be eligible for re-election.

The members of the Board have no financial, business, family or other material/relevant relationship with each other.

The Board also takes up the corporate governance functions pursuant to the Code. During the period under review, the work performed by the Board on corporate governance function is summarized as follows:

- (a) developed and reviewed policies and practices on corporate governance and made recommendations to the Board;
- (b) reviewed and monitored the training and continuous professional development of directors and senior management;
- (c) reviewed and monitored the policies and practices on compliance with legal and regulatory requirements;
- (d) developed, reviewed and monitored the code of conduct and compliance manual (if any) applicable to employees and directors; and
- (e) reviewed the Company’s compliance with the Code and disclosure in the Corporate Governance Report.

Delegation to Management

Day-to-day operational responsibilities are specifically delegated by the Board to the management under the leadership of the Chief Executive Officer (“**CEO**”). Major matters include implementation of the strategies and decisions approved by the Board and the management assumes full responsibility to the Board for operations of the Group.

Corporate Governance Report (Continued)

Directors' Participation in Continuous Professional Trainings

Each of the Directors (being Professor Fei Phillip, Mr. Li Wenjun, Ms. Hui Hing Conniel, Mr. Lai Chi Yin Samuel, Mr. Wang Yibin, Mr. Gu Sotong, Mr. Liu Zhaoxiang, Ms. Wong Hoi Ying, Mr. Guo Zhonglong and Mr. Chan Wai Lung) has complied with code provision C.1.4 of the CG Code and has participated in continuous professional development to develop and refresh their knowledge and skills for the FY2023 including attending seminars organised by the Company or external institutions to update the knowledge of Listing rules and directors' duties and reading materials relevant to the Group's business. The Company is responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. All Directors have been required to provide the Company with their training records. The Company has received from the Directors the confirmations on taking continuous professional training course during FY2023.

Independent non-executive Directors

As at 30 June 2023, the Company has four independent non-executive Directors, representing more than one-third of the Board, and at least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) and 3.10A of the Listing Rules. A balanced composition of executive and non-executive Directors (including independent non-executive Directors) also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company and its shareholders who have brought in a wide range of business and financial expertise, experience and independent judgement to the Board.

As at 30 June 2023, the Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties. The Company considers all of the non-executive Directors is independent. Each independent non-executive Director is required to inform the Company as soon as practicable if there is any change in his or her own personal particulars that may affect his or her independence.

Corporate Governance Report (Continued)

Board Meetings

The Board requires Directors to devote sufficient time and attention to their duties and responsibilities. The Board normally has four scheduled meetings a year at quarterly interval and meets as and when required to discuss the overall business, development strategy, operations and financial reporting of the Company. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the Company's articles of association. Notice of at least 14 days is given of a regular Board meeting to give all Directors an opportunity to attend.

Details of the number of Board meetings and general meeting held during FY2023 and attendance of each Board member at those meetings and meetings of the Audit Committee, the Remuneration Committee and the Nomination Committee are set out below:

| Directors | Board | Attendance/Number of Meetings | | | |
|--|-------|-------------------------------|------------------------|----------------------|-----------------|
| | | Audit Committee | Remuneration Committee | Nomination Committee | General Meeting |
| Executive Directors | | | | | |
| Professor Fei Phillip (<i>Chairman</i>) | 4/4 | N/A | 0/1 | 0/1 | 0/1 |
| Mr. Li Wenjun (<i>Chief Executive Officer</i>) | 4/4 | N/A | N/A | N/A | 0/1 |
| Mr. Wang Yue (ceased to be an executive Director on 22 May 2023) | 2/3 | N/A | N/A | N/A | 0/1 |
| Ms. Hui Hing Conniel | 0/4 | N/A | N/A | N/A | 0/1 |
| Mr. Lai Chi Yin Samuel | 2/4 | N/A | N/A | N/A | 0/1 |
| Mr. Wang Yibin (note 1) | 3/3 | 1/1 | 1/1 | 1/1 | 1/1 |
| Non-executive Director | | | | | |
| Mr. Gu Sotong | 4/4 | N/A | N/A | N/A | 0/1 |
| Independent non-executive Directors | | | | | |
| Mr. Liu Zhaoxiang (note 2) | 3/4 | 1/1 | 0/1 | 0/1 | 1/1 |
| Ms. Wong Hoi Ying (note 3) | 2/4 | 1/1 | N/A | N/A | 1/1 |
| Mr. Guo Zhonglong (note 4) | 3/4 | 1/1 | N/A | N/A | 1/1 |
| Mr. Chan Wai Lung (appointed on 19 May 2023) (note 5) | 0/1 | N/A | N/A | N/A | 1/1 |

Note 1: the Chairman of the Remuneration Committee with effect from 30 June 2023 and ceased to be the Chairman of the Remuneration Committee with effect from 19 May 2023

Note 2: the Chairman of the Nomination Committee with effect from 16 April 2014 and ceased to be the Chairman of the Nomination Committee with effect from 19 May 2023

Note 3: the Chairman of the Nomination Committee with effect from 19 May 2023 and the Chairman of the Audit Committee with effect from 30 June 2022 and ceased to be the Chairman of the Audit Committee with effect from 19 May 2023

Note 4: the Chairman of the Audit Committee with effect from 19 May 2023

Note 5: the Chairman of the Remuneration Committee with effect from 19 May 2023

Corporate Governance Report (Continued)

DELEGATION BY THE BOARD

Board Committees

The Board has delegated authority to 3 standing Committees with specific roles and responsibilities. While at all times the Board retains full responsibility for guiding and monitoring the Company in discharging its duties, certain responsibilities are delegated to various Board committees which have been established by the Board to deal with different aspects of the Company's affairs. Unless otherwise specified in their respective written terms of reference as approved by the Board, these Board committees are governed by the Company's articles of association as well as the Board's policies and practices (in so far as the same are not in conflict with the provisions contained in the articles of association).

The Board delegates the responsibility of implementing its strategies and the day-to-day activities to the management of the Company with department heads responsible for different aspects of the business. Management of the Company is required to present an annual budget and any proposal for major investments and changes in business strategies for the Board's approval.

Nomination Committee

The Company established a Nomination Committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with the Code Provisions. The principal duties of the Nomination Committee are to identify and nominate suitable candidates for the appointment of the Directors and make recommendations to the Board on succession planning for the Directors. As at 30 June 2023, the Nomination Committee comprised one executive Director, namely Professor Fei Phillip and two independent non-executive Directors namely Ms. Wong Hoi Ying and Mr. Chan Wai Lung. Ms. Wong Hoi Ying has been appointed as the chairman of the Nomination Committee.

Remuneration Committee

The Company established a Remuneration Committee in September 2009 with written terms of reference (updated and revised on 30 December 2022) in compliance with the Code Provisions. The primary duties of the Remuneration Committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and to make recommendation to our Board on our Group's policy and structure for all remuneration of our Directors and senior management and to approve matters relating to share schemes under Chapter 17 of the Listing Rules. During FY2023, the the Remuneration Committee held one meeting in which it reviewed the existing Company's policy and structure for all directors' and senior management remuneration by reference with the market research and current market circumstance and make recommendations to the Board on the remuneration of non-executive directors. No Director took part in any discussion about his/her own remuneration. As at 30 June 2023, the Remuneration Committee comprises one executive Director, namely, Professor Fei Phillip and two independent non-executive Directors, namely Ms. Wong Hoi Ying and Mr. Chan Wai Lung. Mr. Chan Wai Lung has been appointed as the chairman of the Remuneration Committee.

Corporate Governance Report (Continued)

Audit Committee

The Company established an Audit Committee in September 2009 with written terms of reference (updated and revised on 18 January 2019) in compliance with Rules 3.21 to 3.23 of the Listing Rules, which were reviewed from time to time by the Board to keep them in line with the most up-to-date requirements. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. As at 30 June 2023, the Audit Committee has four members comprising our four independent non-executive Directors, namely Mr. Liu Zhaoxiang, Ms. Wong Hoi Ying, Mr. Guo Zhonglong and Mr. Chan Wai Lung. Mr. Guo Zhonglong has been appointed as the chairman of the Audit Committee.

The annual results for FY2023 was reviewed by the current Audit Committee, which was composed by three independent non-executive Directors, namely Mr. Guo Zhonglong, Mr. Chau Wing Nam and Ms. Bu Xue on 30 September 2023 before recommending them to the Board for approval on the same date. The Audit Committee has reviewed the accounting principles and practices adopted by the Company, the annual results of the Group during FY2023 as well as auditing, internal control and financial reporting matters, including the consolidated financial statements for FY2023. The Audit Committee has no disagreement on the Group's consolidated financial results contained in this report.

COMPANY SECRETARY

The company secretary of the Company is Mr. Chan Ngai Fan.

The company secretary reported to the Chairman on Board governance matters, and are responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with Shareholders and management.

In compliance with Rule 3.29 of the Listing Rules, Mr. Chan Ngai Fan has undertaken no less than 15 hours of relevant professional training during FY2023.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

A Remuneration Committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. Details of the remuneration committee and other relevant information are set out in the section of Remuneration Committee of this annual report.

The remuneration paid or payable to 13 directors and senior management by band for the period under review is set out below:

| Remuneration bands (HK\$) | Number of persons |
|--------------------------------|-------------------|
| HK\$Nil to HK\$1,000,000 | 13 |
| HK\$1,000,001 to HK\$2,000,000 | – |
| Over HK\$2,000,000 | – |

Further particulars regarding Director's remuneration and the five highest paid employees are set out in Notes 14(a) and 14(b) to the financial statements, respectively.

Corporate Governance Report (Continued)

COMPLIANCE WITH THE MODEL CODE FOR 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 Directors, the Company confirmed that all Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for FY2023.

EXTERNAL AUDITOR

The auditors are CCTH CPA Limited. CCTH CPA Limited provided services in respect of the audit of Company's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) for FY2023.

The remuneration paid to the Company's auditor for FY2023 is as below:

| | RMB'000 |
|--|--------------|
| Audit services provided to the Group | 977 |
| Review of unaudited consolidated financial information of the Group for the six months ended 31 December 2022 in accordance with Hong Kong Standard on Related Services 4400 | 177 |
| Total | 1,154 |

The statement of the auditors regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 39 to 46 of this annual report.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries.

The Board is responsible for maintaining a sound and effective system of internal controls in the Group and for reviewing its effectiveness through the Audit Committee. Such system is designed to manage the risk of failure to achieve corporate objectives. It aims to provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has delegated to executive management the design, implementation and ongoing assessment of such systems of internal controls, while the Board through its Audit Committee oversees and reviews annually the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place. Qualified personnel throughout the Group maintain and monitor these systems of controls on an ongoing basis.

The Board, through the reviews made by the Audit Committee, had reviewed the effectiveness and the adequacy of the internal control systems of the Group and considered them to have been implemented effectively for FY2023.

Corporate Governance Report (Continued)

RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. To discharge this responsibility, the Board regularly reviews the reports prepared by the management on the Group's financial and operational performance as well as the development of major initiatives.

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group for FY2023.

The statements of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report" on page 39.

As disclosed in Note 2 to the consolidated financial statements, the Group's net liabilities amounted to approximately RMB316,708,000; and (b) the current liabilities of the Group at 30 June 2023 exceed its current assets at that date by approximately RMB420,273,000, and that the Group's current liabilities at that date includes promissory notes payable, corporate bonds payable and accrued interests on these payables with the carrying amounts of approximately RMB58,035,000, RMB282,191,000 and RMB37,937,000 respectively. The Directors consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures implemented or to be implemented:

- (i) On 28 July 2023, the Company completed the Restructuring as contemplated under the Restructuring Agreement, pursuant to which the Company implemented restructuring of the debts, liabilities and share capital of the Company, including (i) on 28 July 2023, the Company issued 466,000,000 shares to the Investor at the issue price of HK\$0.1288 per share for a total consideration of approximately HK\$60 million, part of which has been applied for the settlement of the outstanding amount of the credit facility, approximately amounted to HK\$26 million, drawn down by the Company under the Funding Agreement and the claims of creditors under the Creditors' Scheme; (ii) on 28 July 2023, the Company issued 140,000,000 shares to the Scheme Company, which holds the shares for the benefit of the creditors, at the issue price of HK\$0.55 per share for a total consideration of approximately HK\$77 million, on a pro-rata basis for the claims of creditors under the Creditors' Scheme; and (iii) on 28 July 2023, the Company issued promissory notes with a principal amount of HK\$120 million, carrying interest at nil % for the first year, 2% per annum for the second year, 3% per annum for the third year, 4% per annum for the fourth year and 6% per annum for the fifth year, to the Scheme Company for the benefit of the creditors on a pro-rata basis for the claims of creditors under the Creditors' Scheme, and the promissory note will mature on 28 July 2028. Details regarding the Restructuring Framework Agreement are set out in the announcements dated 30 December 2022 and 28 July 2023 made by the Company; and
- (ii) Management of the Group will closely monitor the financial position of the Group and the Directors will make every effort (a) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (b) to negotiate with the holders of the promissory notes payable, and the lenders of the corporate bonds payable for the extension of repayments of these notes and bonds to a date when the Group has adequate working capital to serve the repayments.

Corporate Governance Report (Continued)

In light of the measures and arrangements implemented to date, the Directors are of the view that the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the Directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

The Directors acknowledge their responsibilities for preparing the financial statements of the Company on the going concern basis.

SHAREHOLDER RELATIONS

Shareholder Engagement and Communication

The Board gives high priority to balanced, clear, and transparent communications which allow Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company engages with Shareholders and investors in a number of different ways to help ensure that their views and concerns are understood and addressed in a constructive way.

(a) Convening an Extraordinary General Meeting on Requisition by Shareholders

Shareholders shall have the right to request the Board to convene an extraordinary general meeting ("EGM") of the Company. Two or more Shareholders holding in aggregate of not less than one-tenth (10%) of the paid up capital of the Company which carries the right of voting at the general meeting of the Company may send a written request to the Board of the Company to request for a EGM. The written requisition, duly signed by the shareholders concerned, must state the purposes of the meeting and must be deposited at the registered office of the Company.

(b) Putting Forward Proposals at General Meetings

A shareholder shall make a written requisition to the Board or the company secretary of the Company at the principal place of business address of the Company, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

(c) Making Enquiry to the Board

Shareholders or investors may send written enquiries and suggestions, either by post or by email, together with his/her contact details, such as postal address, email or fax, addressing to the principal place of business address of the Company at the following address or facsimile number or via the website of the Company:

Address: Unit 12, 12/F., Tower A, New Mandarin Plaza,
No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong

Website: <http://www.caflc.co/>

Corporate Governance Report (Continued)

All enquiries shall be collected by the company secretary who shall report to the executive Directors periodically on the enquiries collected. The executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the company secretary will collect the answers for the executive Directors' review and approval. The company secretary shall then be authorised by the executive Directors to reply all enquiries in writing.

The Company has reviewed its engagement with shareholders during FY2023, and reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's Memorandum and Articles of Association during FY2023. A copy of the Memorandum and Articles of Association is posted on the websites of the Company and the Stock Exchange.

Independent Auditor's Report



CCTH CPA LIMITED
中正天恆會計師有限公司

**TO THE SHAREHOLDERS OF
CHINA BOZZA DEVELOPMENT HOLDINGS LIMITED**

中國寶沙發展控股有限公司

(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Bozza Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 47 to 142, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects on the matters as described in the “Basis for Qualified Opinion” section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

As detailed in our auditor's report dated 28 February 2023 with disclaimer of opinion on the Group's consolidated financial statements for the year ended 30 June 2022, we were unable to satisfy ourselves as to the existence, quantities and conditions of the Group's plantation forest assets at 30 June 2022 and the bases used to arrive at the fair value less costs to sell of these plantation forest assets at that date amounted to approximately RMB35,910,000. Any adjustments that may be found to be made on the carrying amount of the plantation forest assets at 30 June 2022 may have significant impact on the net gains on change in fair value less costs to sell of plantation forest assets for the years ended 30 June 2023 and 30 June 2022 which were recognised in the consolidated statement of profit or loss and other comprehensive income and were included in other gains, net (Note 9 to the consolidated financial statements).

Our opinion on the Group's consolidated financial statements for the current year ended 30 June 2023 is also modified because of the possible effect of the aforementioned matters on the comparability of the current year's figures and the corresponding figures for the prior year ended 30 June 2022.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independent Auditor's Report (Continued)

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in Note 2 to the consolidated financial statements regarding the preparation of the consolidated financial statements on a going concern basis.

The Group had consolidated net current liabilities and consolidated net liabilities amounted to approximately RMB420,273,000 and RMB316,708,000 respectively at 30 June 2023 while cash and bank balances included in consolidated current assets amounted to approximately RMB4,327,000 as at that date. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. In light of all the measures and arrangements detailed in Note 2 to the consolidated financial statements, the directors are of the opinion that the Group will be able to continue as a going concern. Should the going concern assumption be inappropriate, adjustments would have to be made to the consolidated financial statements to write down the value of assets to their net realisable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments have not been reflected in the consolidated financial statements. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Valuation of plantation forest assets

Refer to Note 19 to the consolidated financial statements.

Our procedures in relation to assessing the appropriateness of the management's valuation of the plantation forest assets included:

Management has estimated the fair value less costs to sell of the Group's plantation forest assets at 30 June 2023 to be approximately RMB48,420,000 with gain on change in fair value of approximately RMB38,113,000 recognised in profit or loss in respect of the year then ended.

- We obtained an understanding of the management's internal controls and basis of valuation of the Group's plantation forest assets.
- We evaluated the independent valuers' competence, capabilities and objectivity.
- We obtained an understanding of the valuation methodology and key assumptions used for the valuation.
- We discussed with the independent valuers, tested the results of their work and, with assistance of our valuation specialists, assessed the reasonableness of the valuation methodology and assumptions used and judgments exercised by management and the external valuers for the valuation based on our knowledge of the forestry industry.

The assessment of the fair value less costs to sell involves management and external valuers making a number of judgments on the key assumptions and assertions used in the cash flow projections prepared based on financial budgets covering the logging periods, and significant estimates with respect to growth rate, discount rate and the underlying cash flow.

We identified the valuation of plantation forest assets as a key audit matter in view of the magnitude of the plantation forest assets and the management's estimates and judgments involved in the valuation of the plantation forest assets.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Recognition of plantation ginseng assets

Refer to Note 20 to the consolidated financial statements.

Our procedures in relation to management's recognition of the plantation ginseng assets included:

The plantation ginseng assets were recognised at cost of approximately RMB22,000,000 at 30 June 2023 in the consolidated financial statements.

- We obtained an understanding of the Group's recognition policy of plantation ginseng assets and basis of valuation of the Group's plantation ginseng assets.

The recognition of plantation ginseng assets at cost was made as a result of the management's inability to measure reliably the fair value of the plantation ginseng assets as at 30 June 2023.

- We checked, on a sample basis, the payments to suppliers to the underlying contracts of seeding, fertilisers and pesticides, payment records and other related information.,

We identified the basis of recognition of plantation ginseng assets as a key audit matter in view of the magnitude of the plantation ginseng assets and the management's estimates and judgments involved in the basis of recognition of the plantation ginseng assets adopted.

- We performed the site inspection of plantation ginseng assets and made enquiry of the management regarding the cultivated status of the growing ginseng as at 30 June 2023.

- Where there are no market transactions of plantation ginseng assets in immature stage as at 30 June 2023, we obtained an understanding of the basis of management's judgements about the recognition of the plantation ginseng assets at cost less impairment loss, and performed the market search to ensure that the quoted market prices of the plantation ginseng assets in immature stage as at 30 June 2023 is not suitable for the fair value valuation.

- We considered the appropriateness of (i) classification of the plantation ginseng assets under non-current assets in the Group's consolidated financial statements, (ii) recognition of the plantation ginseng assets at cost and (iii) related disclosures in notes to consolidated financial statements.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (Continued)

Key audit matter

How our audit addressed the key audit matter

Impairment assessment on trade and other receivables

Refer to Note 24 to the consolidated financial statements.

Our procedures in relation to management's impairment assessment on trade and other receivables included:

As at 30 June 2023, the group had trade and other receivables amounted to approximately RMB10,399,000. A provision of impairment amounted to approximately RMB54,000 and RMB708,000 has been made for the trade receivables and other receivables respectively as at that date.

- We obtained an understanding of the design, implementation and operating effectiveness of management's internal controls relating to credit control, debt collection and making provisions for expected credit losses.
- We assessed the classification and accuracy of individual balances in ageing reports of trade receivables by testing the underlying invoices and/or agreement on a sample basis.
- We assessed subsequent settlement of the receivable balances. Where settlement had not been received subsequent to the year end date, we obtained an understanding of the basis of management's judgments about the recoverability of the outstanding receivables and evaluated the allowances for expected credit losses made by management for these individual balances.
- We assessed the historical accuracy of the estimates made by the management for the allowances for expected credit losses.
- We assessed the appropriateness of the expected credit loss positioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

Assessment of impairment provision for trade and other receivables involves management's judgment of the ability of the debtors to make settlement which depends on customers' specific and market conditions that are inherently uncertain.

We identified the impairment assessment on trade and other receivables as a key audit matter in view of the magnitude of these receivables and the management's estimates and judgments involved in the determination of the expected credit losses of these receivables.

Independent Auditor's Report (Continued)

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Independent Auditor's Report (Continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CCTH CPA Limited

Certified Public Accountants

Hong Kong, 30 September 2023

Ng Kam Fai

Practising Certificate Number: P06573

Unit 1510-1517, 15/F., Tower 2,
Kowloon Commerce Centre,
No. 51 Kwai Cheong Road, Kwai Chung,
New Territories, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|-------|-----------------|-----------------|
| Continuing operations | | | |
| Revenue | 6 | 58,717 | 6,756 |
| Cost of sales | | (47,207) | (6,756) |
| Gross profit | | 11,510 | – |
| Investment and other income | 8 | 7,969 | 147 |
| Other gains, net | 9 | 2,749 | 12,396 |
| Selling and distribution expenses | | (720) | (45) |
| Administrative expenses | | (19,198) | (11,662) |
| Finance costs | 10 | (11,684) | (21,219) |
| Loss before tax | | (9,374) | (20,383) |
| Income tax expense | 11 | (1,426) | – |
| Loss for the year from continuing operations | 12 | (10,800) | (20,383) |
| Discontinued operation | | | |
| Profit for the year from discontinued operation | 13 | – | 1,483 |
| Loss for the year | | (10,800) | (18,900) |
| Other comprehensive income/(expense) | | | |
| Items that may be subsequently reclassified to profit or loss | | | |
| Exchange differences on translation of financial statements of foreign operations | | 727 | (10,416) |
| Other comprehensive income/(expense) for the year | | 727 | (10,416) |
| Total comprehensive expense for the year | | (10,073) | (29,316) |

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 30 June 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|--|-------|------------------|-------------------------|
| Loss for the year attributable to owners of the Company | | | |
| – Continuing operations | | (10,800) | (20,383) |
| – Discontinued operation | | – | 1,483 |
| Loss for the year | | (10,800) | (18,900) |
| Total comprehensive expense for the year attributable to owners of the Company | | | |
| – Continuing operations | | (10,073) | (30,799) |
| – Discontinued operation | | – | 1,483 |
| Total comprehensive expense for the year | | (10,073) | (29,316) |
| | | RMB cents | RMB cents (restated) |
| Loss per share from continuing operations | 16 | | |
| Basic | | (9.80) | (18.49) |
| Diluted | | N/A | N/A |
| Loss per share from continuing and discontinued operations | 16 | | |
| Basic | | (9.80) | (17.14) |
| Diluted | | N/A | N/A |

Consolidated Statement of Financial Position

As at 30 June 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|--|-------|------------------|------------------|
| Non-current assets | | | |
| Property, plant and equipment | 17 | 1,293 | 28 |
| Right-of-use assets | 18 | 46,309 | 44,633 |
| Plantation forest assets | 19 | 48,420 | 35,910 |
| Plantation ginseng assets | 20 | 22,000 | – |
| Goodwill | 21 | – | – |
| Other intangible assets | 22 | – | – |
| | | 118,022 | 80,571 |
| Current assets | | | |
| Inventories | 23 | 987 | – |
| Trade and other receivables | 24 | 10,399 | 5,532 |
| Loans receivable | 25 | – | – |
| Deposits and prepayments | 26 | 6,908 | 6,308 |
| Bank balances and cash | 27 | 4,327 | 1,106 |
| | | 22,621 | 12,946 |
| Current liabilities | | | |
| Trade and other payables | 28 | 99,008 | 78,059 |
| Promissory notes payable | 29 | 58,035 | 53,429 |
| Corporate bonds payable | 30 | 282,191 | 216,203 |
| Lease liabilities | 31 | 2,092 | – |
| Contingent consideration payable | 32 | – | – |
| Income tax payable | | 1,568 | 120 |
| | | 442,894 | 347,811 |
| Net current liabilities | | (420,273) | (334,865) |
| Total assets less current liabilities | | (302,251) | (254,294) |

Consolidated Statement of Financial Position (Continued)

As at 30 June 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|--------------------------------|-------|------------------|-----------------|
| Non-current liabilities | | | |
| Corporate bonds payable | 30 | 13,351 | 52,341 |
| Lease liabilities | 31 | 1,106 | – |
| | | (14,457) | (52,341) |
| Net liabilities | | (316,708) | (306,635) |
| Capital and reserves | | | |
| Share capital | 33 | 19,016 | 19,016 |
| Reserves | | (335,724) | (325,651) |
| Total deficit on equity | | (316,708) | (306,635) |

The consolidated financial statements on pages 47 to 142 were approved and authorised for issue by the board of directors on 30 September 2023 and are signed on its behalf by:

Professor Fei Phillip
Director

Wang Yibin
Director

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

| | Attributable to owners of the Company | | | | | |
|--|---------------------------------------|--------------------------|--------------------------------|-------------------------------------|-------------------------------|------------------|
| | Share capital RMB'000 | Share premium RMB'000 | Translation reserve RMB'000 | Other reserves RMB'000 (Note) | Accumulated losses RMB'000 | Total RMB'000 |
| At 1 July 2021 | 19,016 | 807,536 | 10,108 | 18,038 | (1,132,017) | (277,319) |
| Loss for the year | - | - | - | - | (18,900) | (18,900) |
| Other comprehensive expense for the year | - | - | (10,416) | - | - | (10,416) |
| Total comprehensive expense for the year | - | - | (10,416) | - | (18,900) | (29,316) |
| At 30 June 2022 and 1 July 2022 | 19,016 | 807,536 | (308) | 18,038 | (1,150,917) | (306,635) |
| Loss for the year | - | - | - | - | (10,800) | (10,800) |
| Other comprehensive income for the year | - | - | 727 | - | - | 727 |
| Total comprehensive expense for the year | - | - | 727 | - | (10,800) | (10,073) |
| At 30 June 2023 | 19,016 | 807,536 | 419 | 18,038 | (1,161,717) | (316,708) |

Note:

Other reserves at 30 June 2023 and 2022 comprise the following:

- Merger reserve arising from common control combination for entity acquired in December 2010;
- Surplus from the share capital of the subsidiaries, acquired pursuant to the group reorganisation over acquisition consideration; and
- Difference between the nominal value of the shares of a subsidiary, acquired pursuant to the group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|--|-------|-----------------|-----------------|
| Operating activities | | | |
| Loss for the year | | | |
| – From continuing operations | | (10,800) | (20,383) |
| – From discontinued operation | | – | 1,483 |
| | | (10,800) | (18,900) |
| Adjustments for: | | | |
| Income tax expense/(credit) recognised in profit or loss | | 1,426 | (757) |
| Finance costs | | 11,684 | 21,219 |
| Gain on change in fair value less costs to sell of plantation forest assets | | (38,113) | (12,526) |
| Depreciation of property, plant and equipment | | 11 | 12 |
| Depreciation of right-of-use assets | | 2,509 | 1,703 |
| Harvested timber transferred from plantation forest assets to cost of inventories sold | | 25,603 | 6,756 |
| Impairment losses recognised in respect of: | | | |
| – trade receivables | | 54 | 11 |
| – other receivables | | 708 | – |
| Loss on disposal of property, plant and equipment | | – | 55 |
| Bank interest income | | (13) | (2) |
| Loss on disposal of a subsidiary | 35 | 77 | – |
| Loss on disposal of right-of-use assets | | – | 79 |
| Reversal of impairment losses recognised in respect of trade receivables | | (47) | (2,057) |
| Net foreign exchange losses | | 34,572 | 81 |
| Operating cash flows before movements in working capital | | 27,671 | (4,326) |
| – Increase in inventories | | (987) | – |
| – (Increase)/decrease in trade and other receivables | | (6,395) | 3,403 |
| – Increase in deposits and prepayments | | (440) | (3,982) |
| – Increase in trade and other payables | | 3,621 | 4,442 |
| Cash generated from/(used in) operations | | 23,470 | (463) |
| Income taxes paid | | (32) | (3) |
| Net cash generated from/(used in) operating activities | | 23,438 | (466) |

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 June 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|--|-------|-----------------|-----------------|
| Investing activities | | | |
| Additions to plantation ginseng assets | | (22,000) | – |
| Interests received | | 13 | 2 |
| Purchase of property, plant and equipment | | (1,275) | – |
| Net cash (used in)/generated from investing activities | | (23,262) | 2 |
| Financing activities | | | |
| Loan proceeds from a shareholder | 36 | 4,100 | – |
| Payment of lease liabilities | 36 | (1,055) | (249) |
| Net cash generated from/(used in) financing activities | | 3,045 | (249) |
| Net increase/(decrease) in cash and cash equivalents | | 3,221 | (713) |
| Cash and cash equivalents at beginning of the year | | 1,106 | 1,819 |
| Cash and cash equivalents at end of the year, represented by: | | | |
| Bank balances and cash | | 4,327 | 1,106 |

Notes to the Consolidated Financial Statements

For the year ended 30 June 2023

1. GENERAL INFORMATION

China Bozza Development Holdings Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The trading of shares of the Company had been suspended by the Stock Exchange from 4 October 2021 and the trading of shares was resumed on 28 July 2023 after the Company has completed the proposed restructuring on 28 July 2023 and has fulfilled all the resumption guidance issued by the Stock Exchange to the Company. Details of completion of the restructuring and fulfilment of resumption guidance and resumption of trading are set out in the Company’s announcements dated 28 July 2023.

The addresses of the registered office and the principal place of business are PO Box 1350, Windward 3, Regatta Office Park, Grand Cayman, KY1-1108, Cayman Islands and Unit 12, 12th Floor, Tower A, New Mandarin Plaza, No. 14 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong respectively. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in forestry management, ginseng plantation and trading and investment holding.

In prior years, the Company’s functional currency was Hong Kong dollar (“**HK\$**”). The Company is an investment holding company. Due to the continuing expansion of the Group’s business operations in Mainland China (“**PRC**”) which are transacted mainly in Renminbi (“**RMB**”), the directors have determined that the functional currency of the Company changed from HK\$ to RMB on the prospective basis from 1 July 2022. As the operations of the Group are mainly carried out in the PRC, the directors of the Company consider it appropriate to present the consolidated financial statements in RMB.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

Going concern

Notwithstanding that (a) as of 30 June 2023, the Group's net liabilities amounted to approximately RMB316,708,000; and (b) the current liabilities of the Group at 30 June 2023 exceed its current assets at that date by approximately RMB420,273,000, and that the Group's current liabilities at that date includes promissory notes payable, corporate bonds payable and accrued interests on these payables with the carrying amounts of approximately RMB58,035,000, RMB282,191,000 and RMB37,937,000 respectively, the directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures implemented or to be implemented:

- (a) On 28 July 2023, the restructuring framework agreement dated 30 December 2022 was approved by the government and regulatory bodies including the Securities and Futures Commission of Hong Kong ("**SFC**") and the Stock Exchange, and the shareholders and the creditors of the Company, pursuant to which the Company implemented restructuring of the debts, liabilities and share capital of the Company, including (i) on 28 July 2023, the Company issued 466,000,000 shares to Zhonggangtong International Holdings Group Co., Limited ("**Zhanggangtong**") at the issue price of HK\$0.1288 per share for a total consideration of approximately HK\$60 million, part of which has been applied for the settlement of the outstanding amount of the credit facility, approximately amounted to HK\$26 million, drawn down by the Company under the Funding Agreement and the claims of creditors under the Creditors' Scheme; (ii) on 28 July 2023, the Company issued 140,000,000 shares to China Bozza Scheme Limited ("**Scheme Company**"), which holds the shares for the benefit of the creditors, at the issue price of HK\$0.55 per share for a total consideration of approximately HK\$77 million, on a pro-rata basis for the claims of creditors under the Creditors' Scheme; and (iii) on 28 July 2023, the Company issued promissory notes with a principal amount of HK\$120 million, carrying interest at nil % for the first year, 2% per annum for the second year, 3% per annum for the third year, 4% per annum for the fourth year and 6% per annum for the fifth year, to the Scheme Company for the benefit of the creditors on a pro-rata basis for the claims of creditors under the Creditors' Scheme, and the promissory note will mature on 28 July 2028. Details regarding the Restructuring Framework Agreement are set out in the announcements dated 30 December 2022 and 28 July 2023 made by the Company.
- (b) Management of the Group will closely monitor the financial position of the Group and the directors of the Company will make every effort (a) to secure funds as necessary to finance the business operations of the Group for the foreseeable future; and (b) to negotiate with the holders of the promissory notes payable, and the lenders of the corporate bonds payable for the extension of repayments of these notes and bonds to a date when the Group has adequate working capital to serve the repayments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Going concern (Continued)

In light of the measures and arrangements implemented to date, the directors of the Company are of the view that the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the directors of the Company are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, 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 July 2022 for the preparation of the consolidated financial statements:

| | |
|--|--|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | Annual Improvements to HKFRS 2018–2020 |
| Amendments to AG5 | Merger Accounting for Common Control Combinations |

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|--|
| HKFRS 17 | Insurance Contracts and the related Amendments ¹ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-Current ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two Model Rules ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all the new and amendments to HKFRSs that are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and all the applicable disclosures as required by the Hong Kong Companies Ordinance. In addition, the consolidated financial statements have been prepared in accordance with applicable disclosure provisions of the Listing Rules.

The consolidated financial statements have been prepared on the historical cost convention, except for certain assets, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKFRS 16/HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use for the purposes of impairment assessment in HKAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The principal accounting policies adopted by the Group are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date when the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income/expenses are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income/expenses of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income/expenses in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9, when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the acquisition, which represents the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investment in a subsidiary is accounted for in the Company's financial statements at cost less any identified impairment loss. Cost includes directly attributable costs of investment. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts.

The stand-alone selling price of the distinct goods or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell promised goods or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance, obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments includes:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and such costs are recognised as an expense on a straight line basis.

Rental income which is derived from the Group's ordinary course of business are presented as revenue.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, and a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Plantation forest assets

Plantation forest assets predominately consist of standing trees in a forest on which the Group undertakes agricultural activities to transform the standing trees into agricultural produce for sale. The general maintenance expenses are charged to profit or loss in the period in which they are incurred.

Plantation forest assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss arising from the changes in the fair value less costs to sell of the plantation forest assets is recognised in profit or loss in the period in which it arises.

If an active market exists for standing trees, reference to the distribution of the forest area by age-class, land tenure, forest health, expected growth and yield of the crops are adopted for determining the fair value of these assets. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers.

At the time the tree is harvested, the agricultural produce is measured at its fair value less costs to sell at the point of harvest. It is taken out of the plantation forest assets (non-current assets) and accounted for under inventories (current assets).

Plantation ginseng assets

Plantation ginseng assets predominately consist of the agricultural plants on which the Group undertakes agricultural activities to transform the plants into agricultural produce of ginseng for sale.

Plantation ginseng assets are stated at fair value less costs to sell at the end of each reporting period, except where fair value cannot be measured reliably, in which case the assets are carried at cost less impairment loss, if any. Once the fair value of the plantation ginseng assets carried at cost becomes reliably measurable, the ginseng assets are measured at fair value less costs to sell and changes in fair value are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of assets, are recognised in profit or loss when the asset is derecognised.

Impairment losses on tangible and intangible assets (other than goodwill)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which is derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“**FVTPL**”), except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including loans receivable, trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans receivables are assessed for ECLs on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

Financial liabilities (including trade and other payables, promissory notes payable and corporate bonds payable) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive decision maker. The chief executive decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chairman of the board that make strategic decisions.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Approval of logging permits for the plantation forest assets

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for revenue generation in the forestry segment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Approval of logging permits for the plantation forest assets (Continued)

Up to the date of approval of the consolidated financial statements, the permits for logging specified quantities of the Group's plantation forest assets have been granted by the PRC government authorities during the years 2022 and 2023 but the permits for logging of the Group's plantation forest assets for 2024 onwards have not yet been granted by the PRC government authorities, as set out in Note 19(f). In the opinion of the directors of the Company, the Group has legally obtained ownership title to such assets, is qualified to make the relevant application of the logging permits which is expected to be granted by the PRC government shortly after application.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) *Fair value of plantation forest assets*

The Group's plantation forest assets are stated at fair value less costs to sell. In determining the fair value of the plantation forest assets, the present value approach has been adopted which requires a number of key assumptions and estimates to be made such as the successful application of logging permits, discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the assumptions and estimates may affect the fair value of the plantation forest assets significantly. Management reviews the assumptions and estimates periodically to identify any significant change in the fair value less costs to sell of the plantation forest assets. The carrying amount of the Group's plantation forest assets as at 30 June 2023 is approximately RMB48,420,000 (2022: approximately RMB35,910,000).

(b) *Impairment of right-of-use assets*

Management of the Group determines on a regular basis whether the right-of-use assets are impaired. Impairment losses for right-of-use assets are recognised when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on higher of fair value less costs of disposal and value in use. The value in use calculations require the use of estimates such as the future revenue and discount rates. As at 30 June 2023, the carrying amount of right-of-use assets is approximately RMB46,309,000 (2022: approximately RMB44,633,000). No impairment loss of right-of-use assets was recognised in respect of both of the years presented.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

(c) *Impairment of plantation ginseng assets*

The Group's plantation ginseng assets are stated at cost. Impairment losses for plantation ginseng assets are recognised when the carrying amounts of each of the assets exceed their respective recoverable amounts, which are determined based on the higher of fair value less costs of disposal and value in use. The value in use calculations require the use of estimates such as the future revenue and discount rates. As at 30 June 2023, the carrying amount of plantation ginseng assets is approximately RMB22,000,000. No impairment loss of plantation ginseng assets was recognised in respect of the current year (2022: Nil).

(d) *Impairment of trade and other receivables*

The Group applies the simplified approach to provide for expected credit loss in respect of trade and other receivables. The provision rates are based on groupings of various debtors that have similar loss patterns and the Group's historical default rates (taking into consideration forward-looking information that is receivable and supportable available without undue costs or effort). At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, the Group's receivables with significant balances and credit impaired are assessed for expected credit loss individually. The provision for expected credit loss is sensitive to changes in estimates.

The information about the expected credit loss and the Group's receivables are disclosed in Note 24.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

6. REVENUE

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

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Continuing operations: | | |
| Revenue from sales of goods | 58,717 | 6,756 |
| Revenue from continuing operations | 58,717 | 6,756 |
| Discontinued operation: | | |
| Sales and installation of container houses | – | 833 |
| Sales return from sales and installation of container houses (Note 13) | – | (3,535) |
| Revenue from discontinued operation | – | (2,702) |
| Total revenue | 58,717 | 4,054 |

Revenue from sales of goods and sales and installation of container houses is recognised at point in time when the control of the goods and container houses are transferred to customers.

7. SEGMENT INFORMATION

Information reported to the chairman of the Board (being the chief executive decision maker) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods and services delivered. As set out in Note 13, the Group's container houses business was classified as discontinued operation in the prior year.

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

Continuing operations:

- (i) Forestry Business – plantation, logging and sale of timber related products; and
- (ii) Ginseng Business – ginseng plantation and trading of related products.

Discontinued operation:

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

Information regarding the above segments for the years ended 30 June 2023 and 2022 is presented below.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

7. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the year ended 30 June 2023

| | Continuing operations | | | Discontinued operation | Total RMB'000 |
|--|------------------------------|-----------------------------|----------------------|--------------------------------------|------------------|
| | Forestry Business RMB'000 | Ginseng Business RMB'000 | Sub-total RMB'000 | Container Houses Business RMB'000 | |
| Segment revenue | 25,603 | 33,114 | 58,717 | – | 58,717 |
| Segment profit | 32,016* | 7,704 | 39,720 | – | 39,720 |
| Unallocated bank interest income | | | | | 13 |
| Other unallocated income | | | | | 7,919 |
| Unallocated impairment loss on other receivables | | | | | (708) |
| Other unallocated expenses | | | | | (44,634) |
| Finance costs | | | | | (11,684) |
| Loss before tax | | | | | (9,374) |
| Income tax expense | | | | | (1,426) |
| Loss for the year | | | | | (10,800) |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

7. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 30 June 2022

| | Continuing operations | | | Discontinued operation | Total RMB'000 |
|---|---------------------------------|--------------------------------|----------------------|--|------------------|
| | Forestry Business RMB'000 | Ginseng Business RMB'000 | Sub-total RMB'000 | Container Houses Business RMB'000 | |
| Segment revenue | 6,756 | – | 6,756 | (2,702) | 4,054 |
| Segment profit | 10,902* | – | 10,902 | 725 | 11,627 |
| Unallocated bank interest income | | | | | 2 |
| Other unallocated income | | | | | 146 |
| Unallocated impairment loss on other receivables | | | | | – |
| Other unallocated expenses | | | | | (10,213) |
| Finance costs | | | | | (21,219) |
| Loss before tax | | | | | (19,657) |
| Income tax credit | | | | | 757 |
| Loss for the year | | | | | (18,900) |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

7. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| * Segment loss of Forestry Business before change in fair value less costs to sell of plantation forest assets and impairment | (6,090) | (1,613) |
| Net gain on change in fair value less costs to sell of plantation forest assets | 38,113 | 12,526 |
| Impairment loss on trade receivables | (7) | (11) |
| Segment profit of Forestry Business | 32,016 | 10,902 |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2022: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/loss represent the profit/loss earned from each segment without allocation of central administrative costs including directors' salaries and other corporate administrative costs, bank interest and sundry income, loss on disposal of a subsidiary, impairment loss on other receivables and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Segment assets | | |
| Forestry Business | 98,631 | 84,323 |
| Ginseng Business | 34,438 | – |
| Total segment assets | 133,069 | 84,323 |
| Assets attributable to discontinued operation | – | 1,315 |
| Unallocated assets | 7,574 | 7,879 |
| Consolidated assets | 140,643 | 93,517 |

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Segment liabilities | | |
| Forestry Business | 7,235 | 5,958 |
| Ginseng Business | 7,656 | – |
| Total segment liabilities | 14,891 | 5,958 |
| Liabilities attributable to discontinued operation | – | 1,854 |
| Unallocated liabilities | 442,460 | 392,340 |
| Consolidated liabilities | 457,351 | 400,152 |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash and other assets for corporate use including certain property, plant and equipment, other receivables and deposits and prepayments. Assets used jointly by segments are allocated on the basis of the revenue earned by individual segments; and
- all liabilities are allocated to operating segments other than promissory notes payable, corporate bonds payable, contingent consideration payable, income tax payable and certain other payables. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

7. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 30 June 2023

| | Continuing operations | | | Discontinued operation | | Total RMB'000 |
|---|---------------------------------|--------------------------------|----------------------|--|------------------------|------------------|
| | Forestry Business RMB'000 | Ginseng Business RMB'000 | Sub-total RMB'000 | Container Houses Business RMB'000 | Unallocated RMB'000 | |
| Amounts included in the measure of segment profit/loss or segment assets | | | | | | |
| Additions to non-current assets (Note) | - | 5,460 | 5,460 | - | - | 5,460 |
| Depreciation of property, plant and equipment | - | 2 | 2 | - | 9 | 11 |
| Depreciation of right-of-use assets | 1,463 | 1,046 | 2,509 | - | - | 2,509 |
| Loss on disposal of right-of-use assets | - | - | - | - | - | - |
| Net gain on change in fair value less costs to sell of plantation forest assets | (38,113) | - | (38,113) | - | - | (38,113) |
| Impairment losses recognised in respect of: | | | | | | |
| - trade receivables | 7 | - | 7 | - | 47 | 54 |
| - other receivables | 6 | 138 | 144 | - | 564 | 708 |
| Reversal of impairment losses on trade receivables | (11) | - | (11) | - | (36) | (47) |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

7. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

For the year ended 30 June 2022

| | Continuing operations | | | Discontinued operation | | Total RMB'000 |
|---|---------------------------------|--------------------------------|----------------------|--|------------------------|------------------|
| | Forestry Business RMB'000 | Ginseng Business RMB'000 | Sub-total RMB'000 | Container Houses Business RMB'000 | Unallocated RMB'000 | |
| Amounts included in the measure of segment profit/loss or segment assets | | | | | | |
| Additions to non-current assets (Note) | - | - | - | - | 776 | 776 |
| Depreciation of property, plant and equipment | - | - | - | - | 12 | 12 |
| Depreciation of right-of-use assets | 1,564 | - | 1,564 | - | 139 | 1,703 |
| Loss on disposal of right-of-use assets | - | - | - | - | 79 | 79 |
| Net gain on change in fair value less costs to sell of plantation forest assets | (12,526) | - | (12,526) | - | - | (12,526) |
| Impairment losses recognised in respect of: | | | | | | |
| - trade receivables | 11 | - | 11 | - | - | 11 |
| - other receivables | - | - | - | - | - | - |
| Reversal of impairment losses on trade receivables | (15) | - | (15) | (2,042) | - | (2,057) |

Note: The additions to non-current assets exclude the financial assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

7. SEGMENT INFORMATION (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers as below:

| Year ended 30 June 2023 | | | |
|-------------------------|----------------------------------|-----------------------------------|------------------|
| | Continuing operations RMB'000 | Discontinued operation RMB'000 | Total RMB'000 |
| PRC | 58,717 | – | 58,717 |

| Year ended 30 June 2022 | | | |
|-------------------------|----------------------------------|-----------------------------------|------------------|
| | Continuing operations RMB'000 | Discontinued operation RMB'000 | Total RMB'000 |
| PRC | 6,756 | (2,702) | 4,054 |

Information about the Group's assets and liabilities based on the geographical location of the assets is not presented as the Group's assets and liabilities are substantially located in the PRC.

Information about major customers

Revenue from individual customers contributing over 10% of the revenue of the Group is as follows:

| | | 2023 RMB'000 | 2022 RMB'000 |
|------------|-------------------|-----------------|-----------------|
| Customer A | Ginseng Business | 9,670 | – |
| Customer B | Forestry Business | 8,756 | 6,756 |
| Customer C | Forestry Business | 6,944 | – |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

8. INVESTMENT AND OTHER INCOME

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Continuing operations: | | |
| Bank interest income | 13 | 1 |
| Write off of other payables (Note 28(iii)) | 7,161 | – |
| Sundry income | 795 | 146 |
| | 7,969 | 147 |
| Discontinued operation: | | |
| Bank interest income | – | 1 |
| | – | 1 |
| Total investment and other income | 7,969 | 148 |

9. OTHER GAINS, NET

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Continuing operations: | | |
| Impairment losses recognised in respect of: | | |
| – trade receivables (Note 24) | (54) | (11) |
| – other receivables (Note 24) | (708) | – |
| Net gain on change in fair value less costs to sell of plantation forest assets (Note 19) | 38,113 | 12,526 |
| Loss on disposal of property, plant and equipment | – | (55) |
| Loss on disposal of right-of-use assets | – | (79) |
| Reversal of impairment losses on trade receivables (Note 24) | 47 | 15 |
| Loss on disposal of a subsidiary (Note 35) | (77) | – |
| Foreign exchange losses, net | (34,572) | – |
| Other gains, net from continuing operations | 2,749 | 12,396 |
| Discontinued operation: | | |
| Reversal of impairment losses on trade receivables (Note 24) | – | 2,042 |
| Other gains, net from discontinued operation | – | 2,042 |
| Total other gains, net | 2,749 | 14,438 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

10. FINANCE COSTS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Continuing operations: | | |
| Interest on: | | |
| – promissory notes payable (Note 29) | 1,289 | 2,395 |
| – corporate bonds payable (Note 30) | 10,250 | 18,807 |
| – lease liabilities (Note 36) | 68 | 17 |
| – amount due to a shareholder (Note 36) | 77 | – |
| | 11,684 | 21,219 |

11. INCOME TAX EXPENSE

| | Continuing operations | | Discontinued operation | | Total | |
|--------------------------------|-----------------------|-----------------|------------------------|-----------------|-----------------|-----------------|
| | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| PRC Enterprise Income Tax | | | | | | |
| Charge for the year | 369 | – | – | 3 | 369 | 3 |
| Over-provision in prior years | – | – | – | (760) | – | (760) |
| Hong Kong Profits Tax | | | | | | |
| Under-provision in prior years | 1,057 | – | – | – | 1,057 | – |
| Income tax expense/(credit) | 1,426 | – | – | (757) | 1,426 | (757) |

A group entity is chargeable to Hong Kong Profits Tax under the two-tiered profits tax rates regime whereby, the first HK\$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime are chargeable to Hong Kong Profits Tax at the tax rate of 16.5%. No provision for Hong Kong Profits Tax of the current and prior years has been made in the consolidated financial statements as the Group has no assessable profit subject to tax in respect of both of the years.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

11. INCOME TAX EXPENSE (Continued)

According to the EIT Law and the Implementation Regulation of the IT Law, an entity eligible as a Small Low-profit Enterprise (小型微利企業) is subject to preferential tax treatments.

From 1 January 2021 to 31 December 2021, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 50% of its taxable income at a tax rate of 20%.

From 1 January 2022 to 31 December 2024, the annual taxable income not more than RMB1,000,000 of a Small Low-profit Enterprise is subject to Enterprise Income Tax calculated at 12.5% of its taxable income at a tax rate of 20% and the annual taxable income between RMB1,000,000 and RMB3,000,000 is calculated at 25% of its taxable income at a tax rate of 20%.

During the years ended 30 June 2023 and 2022, certain subsidiaries of the Group operating in the PRC are eligible to be taxed as a Small Low-profit Enterprise and are subject to the relevant preferential tax treatments, under which the taxable income of these subsidiaries of RMB999,999 or below is taxed at the effective tax rate of 2.5% and taxable income in excess of RMB999,999 is taxed at the effective tax rate of 5%. The Enterprise Income Tax from the continuing operations amounted to approximately RMB369,000 has been made for the current year (2022: nil).

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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit or loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Profit/(loss) before tax from: | | |
| – Continuing operations | (9,734) | (20,383) |
| – Discontinued operation | – | 726 |
| | (9,734) | (19,657) |
| Tax credit at applicable income tax rate | (1,001) | (5,066) |
| Tax effect of expenses not deductible for tax purpose | 9,838 | 5,428 |
| Tax effect of income not taxable for tax purpose | (9,535) | (517) |
| Tax effect of tax losses not recognised | 1,067 | 158 |
| Under/(over) provision in prior years | 1,057 | (760) |
| Income tax expense/(credit) for the year | 1,426 | (757) |

As at 30 June 2023, the Group had unrecognised tax losses of approximately RMB11,146,000 (2022: approximately RMB11,696,000), which can be carried forward to offset future taxable profit and will expire within five years after the end of the reporting period. No deferred tax asset had been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained earnings of the PRC subsidiaries amounting to approximately RMB5,989,000 (2022: approximately RMB761,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

12. LOSS FOR THE YEAR

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Continuing operations: | | |
| Loss for the year has been arrived at after charging: | | |
| Directors' emoluments | 2,259 | 3,606 |
| Other staff costs | 3,067 | 1,242 |
| Total staff costs | 5,326 | 4,848 |
| Auditors' remuneration | | |
| – audit services | 977 | 827 |
| – non-audit services | 177 | 166 |
| Cost of inventories sold | | |
| – Cost of timber harvested | 25,603 | 6,756 |
| – Cost of ginseng purchased for resale | 21,604 | – |
| Depreciation charge in respect of: | | |
| – property, plant and equipment | 11 | 12 |
| – right-of-use assets | 2,509 | 1,703 |
| Short-term lease expenses | 1,392 | 944 |
| Discontinued operation: | | |
| Profit for the year has been arrived at after charging and crediting: | | |
| Directors' emoluments | – | – |
| Other staff costs | – | 699 |
| Total staff costs | – | 699 |
| Cost of inventories sold | – | (2,644) |
| Short-term lease expenses | – | 528 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

13. DISCONTINUED OPERATION

The Group ceased its container houses business during the prior year ended 30 June 2022, which was regarded as discontinued operation in the consolidated financial statements.

The results of the Group's discontinued operation was analysed as below:

| | Year ended 30 June 2022 RMB'000 |
|--------------------------------------|---------------------------------------|
| Revenue (Note) | (2,702) |
| Cost of sales (Note) | 2,644 |
| Gross loss | (58) |
| Investment and other income (Note 8) | 1 |
| Other gains, net (Note 9) | 2,042 |
| Selling and distribution expenses | (349) |
| Administrative expenses | (910) |
| Profit before tax | 726 |
| Income tax credit (Note 11) | 757 |
| Profit for the year | 1,483 |
| Operating cash outflows | (35) |
| Investing cash inflows | 1 |
| Financing cash outflows | – |
| Total cash outflows | (34) |

Note: In the prior period of the eighteen months ended 30 June 2021, certain goods were purchased by the Group at the total cost of approximately RMB3,414,000 and such goods were then sold to a customer for an aggregate sale price of approximately RMB3,535,000, accordingly the sale and purchase of the goods were recognised as the Group's revenue and cost of sales respectively for that period. During the prior year ended 30 June 2022, the customer claimed the relevant goods to be defective and made returns of these goods to the Group and the Group in turn returned such goods to the supplier, which resulted in the recognition of sale returns of approximately RMB3,535,000 and purchase returns of approximately RMB3,414,000 against the Group's revenue and cost of sales respectively for that prior year, and the revenue and cost of sales and services of the Group's discontinued operation for the prior year had been arrived at after deducting the sale returns and purchase returns respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors and chief executive

The emoluments paid or payable to each of the directors and chief executive were as follows:

For the year ended 30 June 2023

| | Fees RMB'000 | Salaries and other allowances RMB'000 | Share-based payments RMB'000 | Retirement benefits scheme contributions RMB'000 | Total RMB'000 |
|---|-----------------|--|------------------------------------|--|------------------|
| Executive directors: | | | | | |
| Professor Fei Phillip | 639 | - | - | - | 639 |
| Mr. Li Wenjun | 533 | - | - | - | 533 |
| Ms. Hui Hing Connell ¹ | 213 | - | - | - | 213 |
| Mr. Lai Chi Yin Samuel ² | 213 | - | - | - | 213 |
| Mr. Wang Yibin ³ | 25 | - | - | 1 | 26 |
| Mr. Wang Yue ⁴ | 95 | - | - | - | 95 |
| Non-executive director: | | | | | |
| Mr. Gu Sotong | - | - | - | - | - |
| Independent non-executive directors: | | | | | |
| Mr. Liu Zhaoxiang | 32 | - | - | - | 32 |
| Mr. Wang Yibin ³ | 188 | - | - | - | 188 |
| Ms. Wong Hoi Ying ⁵ | 107 | - | - | - | 107 |
| Mr. Guo Zhonglong ⁶ | 213 | - | - | - | 213 |
| Mr. Chan Wai Lung ⁷ | - | - | - | - | - |
| Total | 2,258 | - | - | 1 | 2,259 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors and chief executive (Continued)

For the year ended 30 June 2022

| | Fees RMB'000 | Salaries and other allowances RMB'000 | Share-based payments RMB'000 | Retirement benefits scheme contributions RMB'000 | Total RMB'000 |
|--------------------------------------|-----------------|--|------------------------------------|--|------------------|
| Executive directors: | | | | | |
| Professor Fei Phillip | 595 | – | – | – | 595 |
| Mr. Li Wenjun | 496 | – | – | – | 496 |
| Ms. Hui Hing Conniel ¹ | 159 | – | – | 8 | 167 |
| Mr. Lai Chi Yin Samuel ² | 159 | – | – | 8 | 167 |
| Mr. Wang Yue ⁴ | 99 | – | – | – | 99 |
| Mr. Pang Kin Lung ⁸ | 869 | – | – | 9 | 878 |
| Mr. Ng Kwok Hung ⁹ | 869 | – | – | 9 | 878 |
| Non-executive directors: | | | | | |
| Mr. Gu Sotong | – | – | – | – | – |
| Ms. Wong Li Ni ¹⁰ | – | – | – | – | – |
| Independent non-executive directors: | | | | | |
| Mr. Liu Zhaoxiang | 30 | – | – | – | 30 |
| Mr. Wang Yibin ³ | 1 | – | – | – | 1 |
| Ms. Wong Hoi Ying ⁵ | – | – | – | – | – |
| Mr. Guo Zhonglong ⁶ | 1 | – | – | – | 1 |
| Mr. Huang Wenhong ¹¹ | – | – | – | – | – |
| Dr. Tse Kwok Sang ¹² | 116 | – | – | – | 116 |
| Ms. Tian Guangmei ¹³ | 178 | – | – | – | 178 |
| Total | 3,572 | – | – | 34 | 3,606 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(a) Directors and chief executive (Continued)

- ¹ Ms. Hui Hing Conniel was appointed as an executive director of the Company with effect from 13 September 2021.
- ² Mr. Lai Chi Yin Samuel was appointed as an executive director of the Company with effect from 13 September 2021.
- ³ Mr. Wang Yibin was appointed as an independent non-executive director of the Company with effect from 30 June 2022 and re-designated as an executive director of the Company with effect from 19 May 2023.
- ⁴ Mr. Wang Yue, an executive director of the Company, had not reported for work since 25 August 2022 and since then he was not contactable. He ceased to be an executive director of the Company with effect from 22 May 2023 as he vacated pursuant to article 105(c) of the articles of association of the Company.
- ⁵ Ms. Wong Hoi Ying was appointed as an independent non-executive director of the Company with effect from 30 June 2022.
- ⁶ Mr. Guo Zhonglong was appointed as an independent non-executive director of the Company with effect from 30 June 2022.
- ⁷ Mr. Chan Wai Lung was appointed as an independent non-executive director of the Company with effect from 19 May 2023 and re-designated as an executive director of the Company with effect from 14 August 2023.
- ⁸ Mr. Pang Kin Lung resigned as an executive director of the Company with effect from 31 January 2022.
- ⁹ Mr. Ng Kwok Hung resigned as an executive director of the Company with effect from 31 January 2022.
- ¹⁰ Ms. Wong Li Ni resigned as a non-executive director of the Company with effect from 1 June 2022.
- ¹¹ Mr. Huang Wenhong resigned as an independent non-executive director of the Company with effect from 30 June 2022.
- ¹² Dr. Tse Kwok Sang resigned as an independent non-executive director of the Company with effect from 31 January 2022.
- ¹³ Ms. Tian Guangmei resigned as an independent non-executive director with effect from 1 June 2022.
- ¹⁴ Mr. Chau Wing Nam was appointed as an independent non-executive director of the Company with effect from 14 August 2023.
- ¹⁵ Ms. Bu Xue was appointed as an independent non-executive director of the Company with effect from 14 August 2023.

There was no arrangement under which the directors of the Company waived or agreed to waive any remuneration during the both of years presented.

During the years ended 30 June 2023 and 2022, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(Continued)

(b) Employees

Of the five individuals with the highest emoluments in the Group during the year, four (2022: four) were directors of the Company whose emolument are included in the above disclosures. The emolument of the remaining one (2022: one) individual was as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Salaries and other allowances | 586 | 546 |
| Retirement benefits scheme contributions | 16 | 15 |
| | 602 | 561 |

The number of the highest paid individuals who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | 2023 | 2022 |
|----------------------|------|------|
| Nil to HK\$1,000,000 | 1 | 1 |

During the years ended 30 June 2023 and 2022, no emoluments were paid by the Group to any of the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the five highest paid individuals waived any emolument during the years ended 30 June 2023 and 2022.

15. DIVIDEND

No dividend was paid, declared or proposed during the year ended 30 June 2023 (2022: Nil), nor had any dividend been proposed since the end of the reporting period (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

16. LOSS PER SHARE

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

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|----------------------------|
| Loss | | |
| Loss for the purpose of basic loss per share from continuing operations | | |
| Loss for the year from continuing operations attributable to owners of the Company | (10,800) | (20,383) |
| Loss for the purpose of basic loss per share from continuing and discontinued operations | | |
| Loss for the year attributable to owners of the Company | (10,800) | (18,900) |
| | 2023 '000 | 2022 '000 (restated) |
| Number of shares | | |
| Weighted average number of ordinary shares in issue during the year for the purpose of basic loss per share (Note (i)) | 110,242 | 110,242 |

Notes:

- (i) The weighted average numbers of ordinary shares adopted for the current year ended 30 June 2023 and the comparative prior year ended 30 June 2022 have been calculated to take into account the share consolidation of the Company (from 100 issued shares of HK\$0.002 each) into the 1 consolidated share of HK\$0.20 each) implemented subsequent to the end of the current year. Loss per share for the comparative prior year ended 30 June 2022 has been restated accordingly.
- (ii) No diluted loss per share were presented as there were no potentially dilutive ordinary shares in issue during both of the years ended 30 June 2023 and 30 June 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

17. PROPERTY, PLANT AND EQUIPMENT

| | Office equipment, furniture and fixtures RMB'000 | Leasehold improvement RMB'000 | Total RMB'000 |
|------------------------------------|--|-------------------------------------|------------------|
| COST | | | |
| At 1 July 2021 | 630 | 842 | 1,472 |
| Disposals | (188) | – | (188) |
| Exchange realignment | 3 | 23 | 26 |
| At 30 June 2022 and 1 July 2022 | 445 | 865 | 1,310 |
| Additions | 1,275 | – | 1,275 |
| Exchange realignment | 12 | 74 | 86 |
| At 30 June 2023 | 1,732 | 939 | 2,671 |
| ACCUMULATED DEPRECIATION | | | |
| At 1 July 2021 | 535 | 842 | 1,377 |
| Depreciation provided for the year | 12 | – | 12 |
| Eliminated on disposals | (133) | – | (133) |
| Exchange realignment | 3 | 23 | 26 |
| At 30 June 2022 and 1 July 2022 | 417 | 865 | 1,282 |
| Depreciation provided for the year | 11 | – | 11 |
| Exchange realignment | 11 | 74 | 85 |
| At 30 June 2023 | 439 | 939 | 1,378 |
| CARRYING AMOUNTS | | | |
| At 30 June 2023 | 1,293 | – | 1,293 |
| At 30 June 2022 | 28 | – | 28 |

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account their estimated residual value. The estimated useful lives of the property, plant and equipment are as follows:

| | |
|--|---|
| Office equipment, furniture and fixtures | 2–10 years |
| Leasehold improvement | 30 years or over the relevant lease, whichever is shorter |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

18. RIGHT-OF-USE ASSETS

| | Leased land RMB'000 (Note a) | Leased properties RMB'000 (Note b) | Total RMB'000 |
|---|---------------------------------------|---|------------------|
| Carrying amount at 1 July 2021 | 46,096 | 125 | 46,221 |
| Additions | – | 776 | 776 |
| Depreciation provided for the year | (1,463) | (240) | (1,703) |
| Disposals | – | (661) | (661) |
| Carrying amount at 30 June 2022 and 1 July 2022 | 44,633 | – | 44,633 |
| Additions | – | 4,185 | 4,185 |
| Depreciation provided for the year | (1,463) | (1,046) | (2,509) |
| Carrying amount at 30 June 2023 | 43,170 | 3,139 | 46,309 |

Notes:

- (a) The leased land represents land located in Sichuan, the PRC that are allocated as land portion from the consideration in respect of the forests on such land acquired by the Group. Usage of the land is regulated by the implementation regulations of PRC forest law issued by the State Council of the PRC. Such land is amortised over the terms of relevant land lease ranging from 34 to 40 years (2022: 34 to 40 years).
- (b) The Group leases office under non-cancellable operating lease agreement with lease terms was 2 years in Shenzhen of the PRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

19. PLANTATION FOREST ASSETS

| | Hengchang Forest RMB'000 (Note a) | Kunlin Forest RMB'000 (Note b) | Senbo Forest RMB'000 (Note c) | Ruixiang Forest RMB'000 (Note d) | Wantai Forest RMB'000 (Note e) | Total RMB'000 |
|--|--|---|--|---|---|------------------|
| At 1 July 2021 | 12,700 | 4,800 | 6,300 | 3,140 | 3,200 | 30,140 |
| Harvested timber transferred to cost of inventories sold | - | - | - | (1,791) | (4,965) | (6,756) |
| Changes in fair value less costs to sell (Note 9) | 100 | 530 | 720 | 1,311 | 9,865 | 12,526 |
| At 30 June 2022 and 1 July 2022 | 12,800 | 5,330 | 7,020 | 2,660 | 8,100 | 35,910 |
| Harvested timber transferred to cost of inventories sold | (1,960) | (5,469) | (1,694) | (8,077) | (8,403) | (25,603) |
| Changes in fair value less costs to sell (Note 9) | 360 | 6,769 | 2,664 | 17,617 | 10,703 | 38,113 |
| At 30 June 2023 | 11,200 | 6,630 | 7,990 | 12,200 | 10,400 | 48,420 |

Notes:

(a) **Hengchang Forest**

On 28 May 2013, the Group acquired the entire equity interest in China Timbers Limited ("China Timbers") and its subsidiaries (collectively referred as to the "China Timbers Group") which are principally engaged in the operation and management of the forest in Muma Town, Jiange County, Sichuan Province, the PRC ("Hengchang Forest"). The Hengchang Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Hengchang Forest. During the year under review, timber logs of approximately 2,772 cubic metres (2022: Nil) in respect of Hengchang Forest were harvested and the fair value of the timber logs harvested amounted to approximately RMB1,960,000 (2022: Nil), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 30 June 2023, the Hengchang Forest is estimated to comprise approximately 1,389 hectares (2022: approximately 1,389 hectares) of cypress with no tree plantations aged 40 years or older (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

19. PLANTATION FOREST ASSETS (Continued)

(b) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited (“**Exceed Target**”) and its subsidiaries (collectively referred to as the “**Exceed Target Group**”). At the date of acquisition, Exceed Target Group included Jiange Kunlin Linye Company Limited, which is principally engaged in the operation and management of the forest in Zhengxing Town, Jiange County, Sichuan Province, the PRC (“**Kunlin Forest**”). Jiange Kunlin Linye Company Limited was transferred from Exceed Target Group to China Timbers Group on 14 November 2018. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the year under review, timber logs of approximately 5,599 cubic metres (2022: Nil) in respect of Kunlin Forest were harvested and the fair value of the timbers logs harvested amounted to approximately RMB5,469,000 (2022: Nil), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 30 June 2023, the Kunlin Forest is estimated to comprise approximately 642 hectares (2022: approximately 642 hectares) of cypress with no tree plantations aged 40 years or older (2022: Nil).

(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 year under review, timber logs of approximately 2,391 cubic metres (2022: Nil) in respect of Senbo Forest were harvested and the fair value of the timbers logs harvested amounted to approximately RMB1,694,000 (2022: Nil), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 30 June 2023, the Senbo Forest is estimated to comprise of approximately 881 hectares (2022: approximately 881 hectares) of cypress with approximately 169 hectares (2022: approximately 169 hectares) of tree plantations aged 40 years or older (2022: Nil).

(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 year under review, timber logs of approximately 7,956 cubic metres (2022: approximately 2,242 cubic metres) in respect of Ruixiang Forest were harvested and the fair value of the timber logs harvested amounted to approximately RMB8,077,000 (2022: approximately RMB1,791,000), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 30 June 2023, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares (2022: approximately 2,044 hectares) of cypress with approximately 9 hectares (2022: approximately 9 hectares) of tree plantations with aged 40 years or older (2022: Nil).

(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 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 year under review, timber logs of approximately 8,236 cubic metres (2022: approximately 3,762 cubic metres) in respect of Wantai Forest were harvested and the fair value of the timbers logs harvested amounted to approximately RMB8,403,000 (2022: approximately RMB4,965,000), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 30 June 2023, the Wantai Forest is estimated to comprise approximately 2,854 hectares (2022: approximately 2,854 hectares) of cypress with no tree plantations with aged 40 years or older (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

19. PLANTATION FOREST ASSETS (Continued)

(f) Valuation of Plantation Forest Assets

The Group's plantation forest assets are regarded as biological assets and are carried at 30 June 2023 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 present value approach whereby projected future net cash flows, based on their assessments of current timber log prices, were discounted at 15.86% (2022: 16.27%) 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.

The principal valuation methodology and assumptions adopted are as follows:

Applicable to all of Hengchang Forest, Kunlin Forest, Senbo Forest, Ruixiang Forest and Wantai Forest

- The logging permit will be granted by the relevant government authorities.
- The forests are managed on a sustainable basis and sufficient logging quota will be continuously granted by the relevant government authorities.
- The cash flows are those arising from the current rotation of trees only. No account was taken of revenue or costs from re-establishing following harvest, or of land not yet planted.
- The impact of any planned future activity of the business that may impact the pricing of the logs to be harvested from the forests is not taken into account.
- Costs have been derived from external sources and as determined by management. The costs are current average costs. No allowance has been made for cost improvements in future operations.
- The discount rates used in the valuation of the plantation forest assets are determined based on weighted average of cost of capital (WACC).
- The account receivable's period are 120 days.
- The average increment in log sales prices is expected to be 1.48% per annum, which is in line with the long-term producer price index of forestry product.
- The discount rate applied is 15.86%.
- The inflation rate on other operation costs is 2.01% per annum.
- The biological growth rate of cypress is 5.43%.
- The yielding rate for cypress is 40%.
- The expected selling price has been derived from market information.

Applicable to Hengchang Forest

- Cash flow projection is determined for a period of 29 years up to 2052 which involved 29 years of logging activities with the first year of logging activities taken to be from the first half of 2024. Management have assumed that the logging volume during the forecast period is 3,065 cubic meters for the years from 2024 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the second half of 2023 and onwards.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

19. PLANTATION FOREST ASSETS (Continued)

(f) Valuation of Plantation Forest Assets (Continued)

Applicable to Kunlin Forest

- Cash flow projection is determined for a period of 29 years up to 2052 which involved 29 years of logging activities with the first year of logging activities taken to be from the first half of 2024. Management have assumed that the logging volume during the forecast period is 1,631 cubic meters for the years from 2024 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the second half of 2023 and onwards.

Applicable to Senbo Forest

- Cash flow projection is determined for a period of 29 years up to 2052 which involved 29 years of logging activities with the first year of logging activities taken to be from the first half of 2024. Management have assumed that the logging volume during the forecast period is 2,141 cubic meters for the years from 2024 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the second half of 2023 and onwards.

Applicable to Ruixiang Forest

- Cash flow projection is determined for a period of 29 years up to 2052 which involved 29 years of logging activities with the first year of logging activities taken to be from the first half of 2024. Management have assumed that the logging volume during the forecast period is 3,135 cubic meters for the years from 2024 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the second half of 2023 and onwards.

Applicable to Wantai Forest

- Cash flow projection is determined for a period of 29 years up to 2052 which involved 29 years of logging activities with the first year of logging activities taken to be from the first half of 2024. Management have assumed that the logging volume during the forecast period is 4,758 cubic meters for the years from 2024 to 2052 based on the current best estimated harvesting plan. As at the date of approval of these consolidated financial statements, the Group has not obtained logging permits for the harvest of timber logs in the second half of 2023 and onwards.

The fair value less costs to sell of the plantation forest assets at 30 June 2023 and 2022 have been determined based on Level 3 fair value measurement. There has been no change from the valuation technique used in the prior year. In determining the fair value less costs to sell of the plantation forest assets, the highest and best use of the plantation forest assets is their current use.

The PRC government strictly implements a quota system for the quantities of forest wood to be logged annually and accordingly, such limited quota is competed vigorously among the numerous forestry operators. Without the approved logging permits, the Group will not be able to start operations for generating revenue in the forestry segment. In the opinion of the directors of the Company, the absence of logging permit does not impair their value to the Group as the Group has legally obtained ownership title to the forestry assets and is qualified to make the application of the logging permits which will be granted by the PRC government shortly after application.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

19. PLANTATION FOREST ASSETS (Continued)

(g) **Other risks associated with the plantation forest assets**

The Group is exposed to a number of risks related to its plantation forest assets:

Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Climate and other risks

The State Council of the PRC manages the country's harvesting activities by imposing annual logging quotas which are determined by the local forestry authorities. Other than the above-mentioned quotas, the Group's revenue also depends significantly on the ability to harvest wood at adequate levels. The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. The Group's standing timbers are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

20. PLANTATION GINSENG ASSETS

| | 2023 RMB'000 | 2022 RMB'000 |
|------------------------------------|-----------------|-----------------|
| At beginning of the year | – | – |
| Additions during the year, at cost | 22,000 | – |
| At end of the year | 22,000 | – |

Notes:

(a) During the year ended 30 June 2023, the Group commenced the ginseng plantation business in the PRC. The Group currently owns the plantation ginseng assets on the land leased by the Group. For the plantation ginseng assets owned by the Group, the total leasehold land base was approximately 200 Chinese Mu, of which approximately 50 Chinese Mu was productive area in the Senbo Forest as at 30 June 2023. The land within the productive area is leased by the Group which is classified and accounted for as right-of-use assets under Note 18. During the year under review, no ginseng in respect of Senbo Forest were harvested.

(b) **Recognition and measurement of plantation ginseng assets**

The plantation ginseng assets cultivated by the Group represents ginseng at their premature stage as at 30 June 2023. In view that market transactions for ginseng at premature stage are infrequent and are not representative, the directors are of the opinion that alternative fair value measurement of the Group's ginseng assets at their existing state at 30 June 2023 cannot be determined reliably. Under these circumstances, the ginseng assets are carried at cost at 30 June 2023, representing cultivation costs incurred, mainly comprising the cost of seeding and fertilisers and pesticides consumed.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

20. PLANTATION GINSENG ASSETS (Continued)

Notes: (Continued)

(c) Other risks associated with the plantation ginseng assets

The Group is exposed to a number of risks related to its plantation ginseng 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 Group's ginseng plantation is exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed to minimise those risks, including regular forest health inspections and industry pest and disease surveys.

Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of ginseng. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis 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.

21. GOODWILL

| | 2023 RMB'000 | 2022 RMB'000 |
|------------------------------------|-----------------|-----------------|
| COST | | |
| At beginning of the year | 357 | 357 |
| Written off | (357) | – |
| At end of the year | – | 357 |
| ACCUMULATED IMPAIRMENT | | |
| At beginning of the year | (357) | (357) |
| Eliminated on goodwill written off | 357 | – |
| At end of the year | – | (357) |
| CARRYING AMOUNTS | | |
| At end of the year | – | – |

Goodwill was allocated for impairment testing purposes to the CGU of provision of services in relation to management, leasing, sale and installation of container houses and related business and impairment loss on this goodwill was fully recognised in profit or loss in prior years and the container houses business was classified as discontinued operation in prior year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

22. OTHER INTANGIBLE ASSETS

| | Trademark RMB'000 |
|--|----------------------|
| COST | |
| At 1 July 2021 | 80,000 |
| Expiration of trademark period | (80,000) |
| <hr/> | |
| At 30 June 2022, 1 July 2022 and 30 June 2023 | – |
| ACCUMULATED AMORTISATION AND IMPAIRMENT | |
| At 1 July 2021 | 80,000 |
| Eliminated on expiration of trademark period | (80,000) |
| <hr/> | |
| At 30 June 2022, 1 July 2022 and 30 June 2023 | – |
| CARRYING AMOUNTS | |
| At 30 June 2023 | – |
| <hr/> | |
| At 30 June 2022 | – |

The other intangible assets were acquired during the year ended 31 December 2016 following the acquisition by the Group of certain subsidiaries which are engaged in the provision of services in relation to management, leasing, sale and installation of container houses and related business. The container houses business was classified as discontinued operation in the prior year ended 30 June 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

23. INVENTORIES

| | 2023 RMB'000 | 2022 RMB'000 |
|----------------|-----------------|-----------------|
| Finished goods | 987 | – |

24. TRADE AND OTHER RECEIVABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|-------------------|-----------------|-----------------|
| Trade receivables | 6,933 | 3,751 |
| Other receivables | 3,466 | 1,781 |
| | 10,399 | 5,532 |

The Group generally allows an average credit period of 120 days (2022: 90 days) to its trade customers, where partial payment in advance is normally required. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on invoice dates:

| | 2023 RMB'000 | 2022 RMB'000 |
|--------------|-----------------|-----------------|
| 0–90 days | 20 | – |
| 91–180 days | 6,913 | – |
| 181–365 days | – | 3,751 |
| Total | 6,933 | 3,751 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

24. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

An aged analysis of the Group's trade receivables, that are past due but not impaired, is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|-------------------|-----------------|-----------------|
| Past due: | | |
| 0-90 days | 594 | – |
| More than 90 days | – | 3,751 |
| Total | 594 | 3,751 |

The trade receivables that are past due but not impaired related to customers. Having considered the credit quality of the customer and past experience of debts settlement, management of the Group is of the view that these trade receivables are fully recoverable and impairment loss on the receivables is not required to be made.

Movements of allowance of trade receivables are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| At beginning of the year | 1,591 | 68,486 |
| Impairment losses recognised (Note 9) | 54 | 11 |
| Reversal of impairment losses on trade receivables (Note 9) | (47) | (2,057) |
| Write-off during the year | – | (64,849) |
| At end of the year | 1,598 | 1,591 |

Details of the allowance of trade receivables are set out in Note 40(B)(iii)(b).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

24. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables

An analysis of other receivables is as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Proceeds receivable from disposal of subsidiaries (Note below) | 93,000 | 90,200 |
| Sundry receivables | 4,252 | 1,859 |
| | 97,252 | 92,059 |
| Less: allowance for doubtful debts | (93,786) | (90,278) |
| | 3,466 | 1,781 |

Note: The proceeds receivable from disposal of subsidiaries amounted to RMB93,000,000 at 30 June 2023 (2022: RMB90,200,000, equivalent to approximately HK\$105,657,000) are unsecured and interest free. Pursuant to the related disposal agreement, such proceeds receivable to the extent of RMB40,000,000 are settled within six months from 14 December 2018, being the date of completion of the disposal, with the remaining balance of RMB53,000,000 which are settled within one year from 14 December 2018. No settlement of the proceeds receivable was received by the Group up to the date of approval of these consolidated financial statements. Impairment loss on the proceeds receivable amounted to RMB93,000,000 at 30 June 2023 (2022: RMB90,200,000) was fully recognised in the prior year's consolidated financial statements.

Movements of allowance of other receivables are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---------------------------------------|-----------------|-----------------|
| At beginning of the year | 90,278 | 87,911 |
| Impairment losses recognised (Note 9) | 708 | – |
| Exchange realignment | 2,800 | 2,367 |
| At end of the year | 93,786 | 90,278 |

Details of the impairment loss made on other receivables are set out in Note 40(B)(iii)(a).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

25. LOANS RECEIVABLE

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Loans and interests thereon receivable within one year | – | 124,619 |
| Less: Impairment loss recognised | – | (124,619) |
| | – | – |

Movements of impairment loss on loans receivable are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| At beginning of the year | 124,619 | 121,349 |
| Eliminated on loans receivable written off | (124,619) | – |
| Exchange realignment | – | 3,270 |
| At end of the year | – | 124,619 |

At 30 June 2023, the loans receivable amounted to approximately RMB124,619,000 was written off as these loans have been long outstanding over two years and the management considered it is unlikely to recover any of these loans receivable.

Details of the impairment loss recognised on loans receivable are set out in Note 40(B)(iii)(a).

Details of the loans receivable outstanding at 30 June 2023 are as follows:

| Loan principal amount HK\$'000 | Interest rate per annum | Maturity date | Security pledged |
|--------------------------------------|----------------------------|-------------------|------------------|
| 12,500 | 6% | 15 June 2020 | Note (b) |
| 12,500 | 6% | 10 June 2020 | Note (b) |
| 11,026 | 6% | 6 July 2020 | Note (b) |
| 12,000 | 6% | 3 July 2020 | Note (c) |
| 9,300 | 6% | 25 July 2020 | Note (c) |
| 40,000 | 6% | 6 August 2020 | Note (b) |
| 25,000 | 6% | 9 August 2020 | Note (b) |
| 15,000 | 6% | 19 September 2020 | Note (b) |
| 137,326 | | | |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

25. LOANS RECEIVABLE (Continued)

Notes:

- (a) The borrowers of the loans receivable are required to settle the loan and interests thereon at the respective maturity dates.
- (b) These loans with the aggregate principal amount of approximately HK\$116,026,000 are secured by certain goods and machineries owned by the borrowers.
- (c) The loans are secured by guarantees given by certain PRC individuals.

26. DEPOSITS AND PREPAYMENTS

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Deposits paid for acquisition of goods for sale | 2,872 | 4,200 |
| Other deposits paid | 2,536 | 2,048 |
| Prepayments | 1,500 | 60 |
| | 6,908 | 6,308 |

27. BANK BALANCES AND CASH

At 30 June 2023, the Group's bank balances and cash denominated in RMB amounted to approximately RMB4,072,000 (2022: approximately RMB1,091,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The bank balances carry interests at rates of 0.125% to 0.385% (2022: 0.125% to 0.385%) per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

28. TRADE AND OTHER PAYABLES

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Trade payables (Note (ii)) | 2,145 | 280 |
| Consideration payable for acquisition of subsidiary (Note (iii)) | – | 7,161 |
| Amounts due to former directors (Note (iv)) | 1,235 | 1,139 |
| Other payables | 36,521 | 23,037 |
| Accrued charges | 21,170 | 19,069 |
| Interests payable on promissory notes payable and corporate bonds payable | 37,937 | 27,373 |
| | 99,008 | 78,059 |

Notes:

(i) The average credit period on purchase of goods is within 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

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

| | 2023 RMB'000 | 2022 RMB'000 |
|--------------|-----------------|-----------------|
| 0–30 days | 1,000 | – |
| 31–90 days | – | – |
| Over 90 days | 1,145 | 280 |
| | 2,145 | 280 |

(iii) During the current year, the Group reached an agreement with the vendors regarding the acquisition of a subsidiary in prior years, under which the vendors have agreed not to demand payment for the outstanding balance of the consideration for the acquisition of a subsidiary. Accordingly, the consideration payable was written off and included in investment and other income (Note 8).

(iv) The amounts due to former directors, who resigned during the prior years, were unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

29. PROMISSORY NOTES PAYABLE

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Promissory notes payable within one year: | | |
| – issued on 6 June 2017 (Note A) | 23,234 | 21,390 |
| – issued on 15 August 2018 (Note B) | 34,801 | 32,039 |
| | 58,035 | 53,429 |

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

On 6 June 2017, the Company issued Note A with the principal amount of HK\$170,000,000 as the consideration for acquisition of the entire equity interest in Garden Glaze and its subsidiaries (Note 19(d)).

Under the agreement relating to the Note A, the Note A is unsecured, carries interest at 5% per annum and is payable on the maturity date of 5 June 2019. On 3 June 2019, the Company entered into a supplemental deed to amend certain terms and conditions of the Note A, with the remaining outstanding principal amount of HK\$23,800,000 from 5 June 2019 to 5 July 2019. On 23 July 2019, the Company entered into the second supplemental deed to amend certain terms and conditions of the Note A, pursuant to which the parties thereto agreed to extend the maturity date of the Note A, with the principal amount of HK\$23,800,000 from 5 July 2019 to 10 February 2020.

The Note A matured on 10 February 2020 and was not repaid by the Company upon the maturity date. Interest on the Note A carried interest at 5% per annum was recognised in the profit and loss of the Group and the related interests payable were included in trade and other payables (Note 28).

At the end of the reporting period, the Note A with the principal amount of HK\$23,800,000 (2022: HK\$23,800,000) remained outstanding.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

29. PROMISSORY NOTES PAYABLE (Continued)

(b) Promissory note issued on 15 August 2018 (the "Note B")

On 15 August 2018, the Company issued the Note B with the principal amount of HK\$34,100,000 as part of the consideration for acquisition of the entire equity interest in Today Bridge and its subsidiaries (Note 19(e)).

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 Note B matured on 14 August 2020 and was not repaid by the Company upon the maturity date. Interest on the Note B carried interest at 5% per annum was recognised in the profit and loss of the Group and the related interests payable were included in trade and other payables (Note 28).

At the end of the reporting period, the Note B with the principal amount of HK\$34,100,000 (2022: HK\$34,100,000) remained outstanding.

(c) Movements of the Group's promissory notes payable for both of the years presented are as follows:

| | Note A RMB'000 | Note B RMB'000 | Total RMB'000 |
|---|-------------------|-------------------|------------------|
| At 1 July 2021 | 20,830 | 31,197 | 52,027 |
| Interest charge for the year (Note 10) | 984 | 1,411 | 2,395 |
| Interest payable included in other payables | (984) | (1,411) | (2,395) |
| Exchange realignment | 560 | 842 | 1,402 |
| At 30 June 2022 and 1 July 2022 | 21,390 | 32,039 | 53,429 |
| Interest charge for the year (Note 10) | 530 | 759 | 1,289 |
| Interest payable included in other payables | (530) | (759) | (1,289) |
| Exchange realignment | 1,844 | 2,762 | 4,606 |
| At 30 June 2023 | 23,234 | 34,801 | 58,035 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

30. CORPORATE BONDS PAYABLE

| | 2023 RMB'000 | 2022 RMB'000 |
|---|------------------|-----------------|
| Unsecured corporate bonds payable: | | |
| – Within one year | 282,191 | 216,203 |
| – More than one year, but not exceeding two years | 1,280 | 40,722 |
| – More than two years, but not exceeding five years | 12,071 | 11,619 |
| | 295,542 | 268,544 |
| Less: Amount shown under current liabilities | (282,191) | (216,203) |
| Amount shown under non-current liabilities | 13,351 | 52,341 |

Movements of the corporate bonds payable are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| At beginning of the year | 268,544 | 254,458 |
| Interest charge for the year (Note 10) | 10,250 | 18,807 |
| Interest payable included in other payables | (6,567) | (11,801) |
| Exchange realignment | 23,315 | 7,080 |
| At end of the year | 295,542 | 268,544 |

At the end of the reporting period, the corporate bonds payable with the principal amounts of approximately HK\$279,769,000 (2022: HK\$279,769,000) remained outstanding.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

30. CORPORATE BONDS PAYABLE (Continued)

An analysis of the corporate bonds payable outstanding at 30 June 2023 is as follows:

| Date of issue | Principal amount of corporate bonds HK\$ | Interest rate per annum | Maturity date |
|-------------------|---|----------------------------|-------------------|
| 17 January 2014 | 5,000,000 | 7% | 16 January 2021 |
| 26 February 2014 | 5,000,000 | 7% | 25 February 2021 |
| 10 March 2014 | 5,000,000 | 7% | 9 March 2021 |
| 8 April 2014 | 10,000,000 | 4% | 7 April 2022 |
| 8 April 2014 | 5,000,000 | 7% | 7 April 2021 |
| 15 April 2014 | 10,000,000 | 6% | 14 April 2022 |
| 17 April 2014 | 10,000,000 | 6% | 16 April 2022 |
| 7 May 2014 | 10,000,000 | 6% | 6 May 2022 |
| 12 May 2014 | 5,000,000 | 6% | 11 May 2022 |
| 28 May 2014 | 5,000,000 | 7% | 27 May 2021 |
| 5 June 2014 | 3,000,000 | 7% | 4 June 2021 |
| 18 June 2014 | 10,000,000 | 5% | 17 June 2022 |
| 20 August 2014 | 6,700,000 | 6% | 19 August 2019 |
| 5 September 2014 | 4,400,000 | 6% | 4 September 2020 |
| 17 October 2014 | 10,000,000 | 5% | 16 October 2022 |
| 18 March 2015 | 10,000,000 | 5.5% | 17 March 2022 |
| 21 August 2015 | 2,000,000 | 7% | 20 August 2019 |
| 13 October 2015 | 6,600,000 | 6.5% | 12 October 2021 |
| 25 November 2015 | 7,000,000 | 7% | 24 November 2019 |
| 8 January 2016 | 10,500,000 | 7% | 7 January 2020 |
| 16 November 2016 | 6,900,000 | 9% | 15 May 2024 |
| 19 November 2016 | 10,000,000 | 7% | 18 November 2023 |
| 29 November 2016 | 3,100,000 | 9% | 28 May 2024 |
| 5 January 2017 | 9,000,000 | 5% | 4 January 2022 |
| 19 January 2017 | 1,000,000 | 8.5% | 18 July 2024 |
| 17 March 2017 | 10,000,000 | 7% | 16 March 2024 |
| 23 March 2017 | 15,500,000 | 7% | 22 March 2020 |
| 25 May 2017 | 8,780,000 | 8.5% | 24 August 2019 |
| 8 June 2017 | 10,000,000 | 7% | 7 June 2024 |
| 2 August 2017 | 10,000,000 | 7% | 1 August 2025 |
| 28 September 2017 | 17,500,000 | 7% | 27 September 2019 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

30. CORPORATE BONDS PAYABLE (Continued)

| Date of issue | Principal amount of corporate bonds HK\$ | Interest rate per annum | Maturity date |
|------------------|---|----------------------------|-------------------|
| 4 March 2019 | 5,600,000 | 5% | 3 July 2020 |
| 26 March 2019 | 1,170,000 | 8% | 25 September 2019 |
| 8 April 2019 | 3,000,000 | 5% | 7 April 2020 |
| 18 April 2019 | 2,000,000 | 5% | 17 April 2020 |
| 26 April 2019 | 1,000,000 | 5% | 25 April 2020 |
| 29 July 2019 | 1,700,000 | 5% | 28 July 2020 |
| 17 June 2019 | 950,000 | 5% | 16 June 2020 |
| 6 August 2019 | 2,162,600 | 8% | 5 February 2020 |
| 26 August 2019 | 3,000,000 | 10% | 25 May 2020 |
| 21 October 2019 | 4,000,000 | 10% | 20 April 2020 |
| 11 December 2019 | 2,000,000 | 10% | 10 June 2020 |
| 23 December 2019 | 5,000,000 | 8% | 22 December 2020 |
| 24 February 2021 | 1,149,425 | 8% | 23 February 2022 |
| 7 May 2021 | 1,149,425 | 8% | 6 May 2022 |
| 1 April 2021 | 2,068,966 | 8% | 30 April 2022 |
| 24 February 2021 | 1,839,080 | 8% | 23 February 2022 |
| | 279,769,496 | | |

The effective interest rate of the corporate bonds payable in respect of the current year ranged from 4.00% to 11.33% per annum (2022: 4.00% to 11.33% per annum).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

31. LEASE LIABILITIES

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Lease liabilities payable: | | |
| – Within one year | 2,092 | – |
| – Within a period of more than one year but not more than two years | 1,106 | – |
| | 3,198 | – |
| Less: Amount due for settlement within twelve months included in current liabilities | (2,092) | – |
| Amount due for settlement after twelve months shown under non-current liabilities | 1,106 | – |

32. CONTINGENT CONSIDERATION PAYABLE

| | 2023 RMB'000 | 2022 RMB'000 |
|---|-----------------|-----------------|
| Contingent consideration payable in relation to the acquisition of Gorgeous City Investment Limited (“Gorgeous City”) at fair value | – | – |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

32. CONTINGENT CONSIDERATION PAYABLE (Continued)

In connection with the acquisition of Gorgeous City in the year ended 31 December 2016, under the terms of the acquisition agreement, the balance of the purchase consideration of RMB210,000,000 is contingent and will be settled if Shenzhen Heng Fu Delaisi Intelligent Housing Limited (“Delaisi”), a subsidiary of Gorgeous City, has fulfilled the profit guarantee for the guaranteed periods specified below.

| Guaranteed period | Profit guarantee RMB'000 (Note) | Contingent consideration RMB'000 | Manner of payment of the consideration if the profit guarantee is achieved |
|---|---------------------------------------|-------------------------------------|---|
| The completion date (inclusive) to 31 December 2016 | 17,500 | 17,500 | RMB5,250,000 is to be paid by cash and RMB12,250,000 by issue of new shares of the Company |
| 1 January 2017 to 30 June 2017 | 24,500 | 24,500 | RMB7,350,000 is to be paid by cash and RMB17,150,000 by issue of new shares of the Company |
| 1 July 2017 to 31 December 2017 | 31,500 | 31,500 | RMB9,450,000 is to be paid by cash and RMB22,050,000 by issue of new shares of the Company |
| 1 January 2018 to 30 June 2018 | 38,500 | 38,500 | RMB11,550,000 is to be paid by cash and RMB26,950,000 by issue of new shares of the Company |
| 1 July 2018 to 31 December 2018 | 45,500 | 45,500 | RMB13,650,000 is to be paid by cash and RMB31,850,000 by issue of new shares of the Company |
| 1 January 2019 to 30 June 2019 | 52,500 | 52,500 | RMB15,750,000 is to be paid by cash and RMB36,750,000 by issue of new shares of the Company |
| | | 210,000 | |

Note: Profit guarantee refers to the audited net profit after taxation of Delaisi, which is calculated in accordance with HKFRSs, for the respective guaranteed periods.

The vendors jointly and severally provide the profit guarantees of Delaisi in favour of the Company for the guaranteed period up to and ended on 30 June 2019.

In the event that during any guaranteed period, Delaisi is able to meet 70% or more of the corresponding profit guarantee but less than 100% thereof during the relevant guaranteed period, the amount of the consideration payable to the Vendors during the relevant guaranteed period shall be paid proportionately and the Company has no obligation to pay such consideration or any part thereof to the Vendors for that shortfall during such guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up for the shortfall of the preceding guaranteed period or any part thereof whereby the Company shall pay back the corresponding shortfall of the consideration to the Vendors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

32. CONTINGENT CONSIDERATION PAYABLE (Continued)

On the other hand, if Delaisi fails to meet 70% of the profit guarantee or having net loss during any guaranteed period, the Company has no obligation to pay the consideration or any part thereof to the Vendors for the specific guaranteed period unless the net profits of Delaisi (after tax) of the succeeding guaranteed period or the succeeding full year exceeds the amount of guaranteed profit of that succeeding period with the surplus being sufficient to make up all or part of the shortfall of the preceding year whereby the Company shall pay back the consideration to the Vendors on a pro rata basis.

If upon the expiration of the guaranteed period ended on 30 June 2019, the accumulated net profits of Delaisi (after taxation) is less than RMB210,000,000, the Vendors shall jointly and severally pay to the Company a compensation calculated by the following formula:

$$\text{RMB40,000,000} \times (1 - (\text{the accumulated net profits of Delaisi during the guarantee period} / \text{RMB210,000,000}) \times 100\%)$$

Hence, if the accumulated profits of Delaisi amounted to nil or is loss-making during the guarantee period, the Vendors shall jointly and severally compensate the Company with a sum of RMB40,000,000.

During the prior year ended 31 December 2017, following the fulfillment of the profit guarantee of Delaisi amounted to RMB24,500,000 for the period from 1 January 2017 to 30 June 2017, the Company issued approximately 62,321,000 new shares to the Vendors on 6 October 2017. The fair value of these new shares at the date of their issue is estimated to be HK\$0.1 per share, by reference to the closing price of the shares of the Company at that date quoted on the Stock Exchange. At 30 June 2022, the cash payment of HK\$8,388,000, equivalent to RMB7,161,000, which was not settled by the Company, was included in trade and other payables (Note 28).

Delaisi failed to achieve the profit guarantee in respect of the periods from 1 July 2017 to 31 December 2017, 1 January 2018 to 30 June 2018, 1 July 2018 to 31 December 2018 and 1 January 2019 to 30 June 2019, accordingly the Company is not required to make any cash payment or issue new shares to the vendors in relation to these parts of the profit guarantee.

Under the terms of the profit guarantee, if the accumulated profit of Delaisi for the guarantee period ended 30 June 2019 is less than RMB210,000,000, the vendors is required to compensate the Company at the amount which is calculated by the formula specified therein. Although management of the Group expected that the accumulated profit of Delaisi for the guaranteed period is less than RMB210,000,000, as the receipt by the Company of such compensation, if any, cannot be ascertained with reasonable certainty, management considers it appropriate not to recognise the fair value of this contingent compensation in the consolidated financial statements.

During the current year, the Group reached an agreement with the Vendors, under which the Vendors have agreed not to demand payment for the outstanding balance of the consideration payable. Accordingly, the consideration payable, which was included in trade and other payables, was written off (Note 28(iii)).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

33. SHARE CAPITAL

| | Par value HK\$ | Number of ordinary shares '000 | Nominal amount of ordinary shares HK\$'000 |
|--|-------------------|---|--|
|--|-------------------|---|--|

Authorised:

| | | | |
|---|-------|------------|---------|
| At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023 | 0.002 | 50,000,000 | 100,000 |
|---|-------|------------|---------|

| | Par value HK\$ | Number of ordinary shares '000 | Nominal amount of ordinary shares HK\$'000 | Carrying amount RMB'000 |
|--|-------------------|---|--|-------------------------------|
|--|-------------------|---|--|-------------------------------|

Issued and fully paid:

| | | | | |
|---|-------|------------|--------|--------|
| At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023 | 0.002 | 11,024,220 | 22,048 | 19,016 |
|---|-------|------------|--------|--------|

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

34. RETIREMENT BENEFIT SCHEMES

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance (“MPF schemes”) for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee’s relevant monthly income, subject to a cap of monthly relevant income of HK\$25,000 before 1 June 2014 and HK\$30,000 thereafter. Contributions to the plan vest immediately.

The employees of PRC subsidiaries of the Company are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At the end of the reporting period, no forfeited contributions were available to reduce the contribution payable in future years.

The total expenses recognised in the consolidated statement of profit or loss and other comprehensive income of approximately RMB124,000 (2022: approximately RMB302,000) represents contributions payable by the Group at rates or amounts specified in the schemes.

Apart from the above, the Group has no significant obligations under retirement benefit schemes at the end of both of the years presented.

35. DISPOSAL OF A SUBSIDIARY

| | 2023 RMB'000 |
|---|-----------------|
| Cash outflow arising from disposal of Shenzhen Zhonganxing Transportation Technology Limited | – |
| Total cash outflow from disposal of a subsidiary | – |

Disposal of Shenzhen Zhonganxing Transportation Technology Limited (“Zhonganxing”)

The Group disposed of 100% equity interest in Zhonganxing on 6 December 2022 for a cash consideration of RMB2. Zhonganxing was principally engaged in the provision of container houses services in the PRC.

| | RMB'000 |
|--------------------------|---------|
| Consideration receivable | – |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

35. DISPOSAL OF A SUBSIDIARY (Continued)

Disposal of Shenzhen Zhonganxing Transportation Technology Limited ("Zhonganxing") (Continued)

Analysis of assets and liabilities at the date of disposal over which control was lost

| | RMB'000 |
|----------------------------|---------|
| Current assets | |
| Other receivables | 817 |
| Bank balances and cash | – |
| Current liabilities | |
| Other payables | (736) |
| Income tax payable | (4) |
| Net assets disposed of | 77 |

Loss on disposal of a subsidiary

| | RMB'000 |
|---|---------|
| Consideration for disposal | – |
| Net assets disposed of | (77) |
| Loss on disposal of a subsidiary (Note 9) | (77) |

Net cash outflow arising from disposal

| | RMB'000 |
|--|---------|
| Consideration for disposal received | – |
| Less: Bank balances and cash disposed of | – |
| Net cash outflow arising from disposal | – |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Promissory notes payable RMB'000 | Corporate bonds payable RMB'000 | Lease liabilities RMB'000 | Amount due to a shareholder (included in other payables) RMB'000 | Total RMB'000 |
|--|---|--|---------------------------------|--|------------------|
| At 1 July 2021 | 52,027 | 254,458 | 133 | – | 306,618 |
| Financing cash outflows | – | – | (249) | – | (249) |
| Finance costs for the year | 2,395 | 18,807 | 17 | – | 21,219 |
| Addition of lease liabilities arising from right-of-use assets | – | – | 762 | – | 762 |
| Derecognition upon disposal of right-of-use assets | – | – | (659) | – | (659) |
| Interest payable included in other payables | (2,395) | (11,801) | – | – | (14,196) |
| Exchange realignment | 1,402 | 7,080 | (4) | – | 8,478 |
| At 30 June 2022 and 1 July 2022 | 53,429 | 268,544 | – | – | 321,973 |
| Financing cash (outflows)/inflows | – | – | (1,055) | 4,100 | 3,045 |
| Finance costs for the year | 1,289 | 10,250 | 68 | 77 | 11,684 |
| Addition of lease liabilities arising from right-of-use assets | – | – | 4,185 | – | 4,185 |
| Derecognition upon disposal of right-of-use assets | – | – | – | – | – |
| Interest payable included in other payables | (1,289) | (6,567) | – | – | (7,856) |
| Exchange realignment | 4,606 | 23,315 | – | – | 27,921 |
| At 30 June 2023 | 58,035 | 295,542 | 3,198 | 4,177 | 360,952 |

37. PLEDGE OF ASSETS

The Group had no assets pledged as at 30 June 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

38. RELATED PARTY TRANSACTIONS

In addition to the transactions with related parties disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Remuneration of directors and other members of key management

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Salaries and other allowances | 2,844 | 4,118 |
| Retirement benefits scheme contributions | 17 | 49 |
| | 2,861 | 4,167 |

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of net debt, which includes promissory notes payable and corporate bonds payable disclosed in Note 29 and Note 30 respectively and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the raising of new debts or the repayment of existing debts.

40. FINANCIAL INSTRUMENTS

(A) Categories of financial instruments

| | 2023 RMB'000 | 2022 RMB'000 |
|--|-----------------|-----------------|
| Financial assets | | |
| Loans and receivables at amortised cost (including bank balances and cash) | 17,262 | 8,686 |
| Financial liabilities | | |
| Financial liabilities at amortised cost | 455,783 | 400,032 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies

The Group's major financial instruments include loans receivable, trade and other receivables, deposits paid, bank balances and cash, trade and other payables, promissory notes payable, corporate bonds payable, lease liabilities and contingent consideration payable. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Revenue derived by and cost of sales and service costs and other operating expenses incurred by the Group in respect of the year ended 30 June 2023 and 2022 were substantially denominated in functional currencies of the group entities.

At 30 June 2023 and 2022, the companies in the Group had some monetary assets and liabilities which were denominated in foreign currencies.

The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table demonstrates the sensitivity at the end of the reporting period to the reasonably possible change in the HK\$ exchange rates, with all other variables held constant, of the Group's loss before tax.

| | | (Increase)/decrease in loss before tax | |
|---------------------------------|-----|---|---------|
| | | 2023 | 2022 |
| | % | RMB'000 | RMB'000 |
| If RMB weakens against HK\$ | 5 | (16,939) | (368) |
| If RMB strengthens against HK\$ | (5) | 16,939 | 368 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies (Continued)

(ii) Interest rate risk

The Group's major liabilities, including promissory notes payables and corporate bonds payables, carry interests at fixed interest rates and are not subject to cash flow interest rate risk.

As at 30 June 2023 and 2022, the Group was exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating market rate. However, such exposure is minimal to the Group as the bank balances are all short-term in nature.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank deposits as at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates have been 50 basis points higher/lower in 2023 and all other variables were held constant, the Group's post-tax loss for the year ended 30 June 2023 would decrease/increase by approximately RMB19,000 (2022: approximately RMB5,000). This is mainly attributable to the Group's exposure to interest rates on its bank deposits which carried interest at floating rates.

(iii) Credit risk

The Group is exposed to credit risk and the Group's maximum exposure to credit risk in relation to financial assets derived from its loans receivable, trade and other receivables, deposits paid and deposits at banks.

Majority of the Group's bank deposits are placed in bank which is independently rated with a high credit rating. Management does not expect any losses from non-performance by this bank as it has no default history in the past.

The Group has concentration of credit risk as 16.47% (2022: 100%) and 60.13% (2022: 100%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The Group considers the probability of default upon initial recognition of receivables and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the receivables as at the reporting date with the risk of default as at the date of initial recognition, having considered available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor/customer; and
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer in the Group and changes in the operating results of the customer.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(a) Loans receivable and other receivables

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

| Category | Group's definition of categories | Basis for recognition of expected credit loss provision |
|-----------------|--|---|
| Performing | Customers have a low risk of default and a strong capacity to meet contractual cash flows. | 12 months expected losses; where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime. |
| Underperforming | Receivables for which there is a significant increase in credit risk (significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due). | Lifetime expected losses. |
| Non-performing | Interest and/or principal repayments are 365 days past due. | Lifetime expected losses. |
| Write-off | Interest and/or principal repayments are 2 years past due and there is no reasonable expectation of recovery. | Asset is written off. |

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(a) Loans receivable and other receivables (Continued)

Loans receivable

For the current year ended 30 June 2023 and 2022, in view of no improvement of the economic situations and financial position of the borrowers coupled with no repayments of the loans were received by the Group, no impairment loss on loans receivable was reversed to profit or loss in respect of the years.

Other receivables

The other receivables as at 30 June 2023 and 2022 mainly represent the proceeds receivable from disposal of subsidiaries in prior year amounted to approximately RMB93,000,000, of which RMB40,000,000 and RMB53,000,000 were due for settlement on 14 June 2019 and 14 December 2019 respectively. No settlement of the proceeds receivable were received by the Group up to the date of approval of the consolidated financial statements. As the proceeds receivable had been overdue for a long period of time and the financial position of the related debtor was uncertain, impairment loss was fully recognised on the proceeds receivable as at 30 June 2023 and 30 June 2022.

For the current year ended 30 June 2023, impairment loss on sundry receivables amounted to approximately RMB708,000 was recognised in the profit or loss (2022: no impairment loss was recognised).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

(b) Trade receivables

The Group applies the simplified approach to provide for expected credit losses for trade receivables prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

For the year ended 30 June 2023, the Group recognised allowance for trade receivables based on the provision matrix, amounted to approximately RMB54,000 (2022: approximately RMB11,000).

The loss allowance for trade receivables was determined as follows:

| | 0-90 days | 91-180 days | 181-365 days | More than 365 days | Total |
|------------------------------------|--------------|----------------|-----------------|--------------------------|---------|
| 2023 | | | | | |
| Expected loss rate | 1% | 1% | 1% | 100% | |
| Gross carrying amount (RMB'000) | 6,347 | 594 | – | 1,590 | 8,531 |
| Loss allowance (RMB'000) | (7) | (1) | – | (1,590) | (1,598) |
| | | | | | |
| | 0-90 days | 91-180 days | 181-365 days | More than 365 days | Total |
| 2022 | | | | | |
| Expected loss rate | 0% | 0% | 1% | 100% | |
| Gross carrying amount (RMB'000) | – | – | 3,762 | 1,580 | 5,342 |
| Loss allowance (RMB'000) | – | – | (11) | (1,580) | (1,591) |

(c) Cash at bank and bank deposits

While bank balances and bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and other source of funding and considers the risk is minimal.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated by interest rate curve.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these no-derivative financial assets is necessary in order to understand the Group's liquidity risk management at the liquidity is managed on a net asset and liability basis.

The amount included below for variable interest rate instruments for the non-derivative financial assets and liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

2023

| | On demand or within one year RMB'000 | More than 1 year but less than 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|--------------------------------------|---|--|-------------------------|--|-------------------------------|
| Non-derivative financial assets | | | | | |
| Trade and other receivables | 10,399 | - | - | 10,399 | 10,399 |
| Deposits paid | 2,536 | - | - | 2,536 | 2,536 |
| Bank balances and cash | 4,327 | - | - | 4,327 | 4,327 |
| | 17,262 | - | - | 17,262 | 17,262 |
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | 99,008 | - | - | 99,008 | 99,008 |
| Promissory notes payable | 58,035 | - | - | 58,035 | 58,035 |
| Corporate bonds payable | 284,346 | 14,787 | - | 299,133 | 295,542 |
| Lease liabilities | 2,175 | 1,119 | - | 3,294 | 3,198 |
| | 443,564 | 15,906 | - | 459,470 | 455,783 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(B) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

Liquidity tables (Continued)

2022

| | On demand or within one year RMB'000 | More than 1 year but less than 5 years RMB'000 | Over 5 years RMB'000 | Total undiscounted cash flows RMB'000 | Carrying amount RMB'000 |
|--------------------------------------|---|--|-------------------------|--|-------------------------------|
| Non-derivative financial assets | | | | | |
| Trade and other receivables | 5,532 | – | – | 5,532 | 5,532 |
| Deposits paid | – | 2,048 | – | 2,048 | 2,048 |
| Bank balances and cash | 1,106 | – | – | 1,106 | 1,106 |
| | 6,638 | 2,048 | – | 8,686 | 8,686 |
| Non-derivative financial liabilities | | | | | |
| Trade and other payables | 78,059 | – | – | 78,059 | 78,059 |
| Promissory notes payable | 53,429 | – | – | 53,429 | 53,429 |
| Corporate bonds payable | 228,889 | 51,000 | – | 279,889 | 268,544 |
| Lease liabilities | – | – | – | – | – |
| | 360,377 | 51,000 | – | 411,377 | 400,032 |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

40. FINANCIAL INSTRUMENTS (Continued)

(C) Fair value measurement

The carrying amounts of financial instruments measured at fair value at the end of the reporting period are categorized among the three levels of the fair value hierarchy, defined as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- (ii) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their values. The fair values, which are included in Level 3 category, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2023 RMB'000 | 2022 RMB'000 |
|---------------------------------------|------------------|-----------------|
| Non-current assets | | |
| Investments in subsidiaries | 33,554 | 38,682 |
| Property, plant and equipment | 7 | 14 |
| | 33,561 | 38,696 |
| Current assets | | |
| Other receivables | 46 | 42 |
| Deposits paid and prepayments | 1,922 | 1,829 |
| Amounts due from subsidiaries | 4,899 | 4,576 |
| Bank balances and cash | 17 | 15 |
| | 6,884 | 6,462 |
| Current liabilities | | |
| Other payables | 60,461 | 54,580 |
| Amounts due to subsidiaries | 85,441 | 71,055 |
| Promissory notes payable | 58,035 | 53,429 |
| Corporate bonds payable | 282,191 | 216,203 |
| | 486,128 | 395,267 |
| Net current liabilities | (479,244) | (388,805) |
| Total assets less current liabilities | (445,683) | (350,109) |
| Non-current liabilities | | |
| Corporate bonds payable | 13,351 | 52,341 |
| | (13,351) | (52,341) |
| Net liabilities | (459,034) | (402,450) |
| Capital and reserves | | |
| Share capital | 19,016 | 19,016 |
| Reserves (Note) | (478,050) | (421,466) |
| Total deficit on equity | (459,034) | (402,450) |

The Company's statement of financial position was approved and authorised for issue by the board of directors on 30 September 2023 and is signed on its behalf by:

Professor Fei Phillip
Director

Wang Yibin
Director

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Reserves of the Company

| | Share premium RMB'000 | Translation reserve RMB'000 | Accumulated losses RMB'000 | Total RMB'000 |
|--|-----------------------------|-----------------------------------|----------------------------------|------------------|
| At 1 July 2021 | 807,536 | 40,319 | (1,205,743) | (357,888) |
| Loss for the year | – | – | (50,085) | (50,085) |
| Other comprehensive expense for the year | – | (13,493) | – | (13,493) |
| Total comprehensive expense for the year | – | (13,493) | (50,085) | (63,578) |
| At 30 June 2022 and 1 July 2022 | 807,536 | 26,826 | (1,255,828) | (421,466) |
| Loss for the year | – | – | (56,584) | (56,584) |
| Other comprehensive expense for the year | – | – | – | – |
| Total comprehensive expense for the year | – | – | (56,584) | (56,584) |
| At 30 June 2023 | 807,536 | 26,826 | (1,312,412) | (478,050) |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

42. SUBSIDIARIES

Details of the material subsidiaries at the end of the reporting period are set out below:

| Name of company | Place of incorporation/ establishment/ operations | Class of shares held | Paid up registered capital | Proportion of ownership interests held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|---|---|----------------------|----------------------------|---|------|------------|------|--|------|--|
| | | | | Directly | | Indirectly | | 2023 | 2022 | |
| | | | | 2023 | 2022 | 2023 | 2022 | | | |
| China Timbers Limited 中國木業有限公司 | BVI | Ordinary | US\$1 | 100% | 100% | - | - | 100% | 100% | Investment holding |
| China Timbers Limited 中國木業投資集團有限公司 | Hong Kong | Ordinary | HK\$1 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Shenzhen Junlifa Timbers Limited ^{1,3} 深圳市君利發木業有限公司 | The PRC | Contributed capital | RMB500,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Jiange Hengchang Low-Carbon Forestry Development Co., Limited ^{2,3} 劍閣縣恒昌低碳林業開發有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | 100% | 100% | 100% | 100% | Forestry management |
| Jiange Kunlin Linye Company Limited ^{2,3} 劍閣縣坤林林業種植有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | 100% | 100% | 100% | 100% | Forestry management and Ginseng trading |
| Shenzhen YiFeng Network Technology Limited ^{2,3} 深圳市億豐網絡科技有限公司 | The PRC | Contributed capital | RMB1,000,002 | - | - | 100% | 100% | 100% | 100% | Sales of designated products |
| Forever Biosource (Credit) Limited 恒生源(信貸)有限公司 | Hong Kong | Ordinary | HK\$1,000 | 100% | 100% | - | - | 100% | 100% | Dormant |
| Huxiang International Holdings Limited 湖湘國際控股有限公司 | BVI | Ordinary | US\$10,000 | 100% | 100% | - | - | 100% | 100% | Investment holding |
| Hengfeng Investments Holdings Limited 恒豐投資控股有限公司 | Hong Kong | Ordinary | HK\$10,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Kaixuan Muye (Shenzhen) Limited ^{1,3} 凱軒木業(深圳)有限公司 | The PRC | Contributed capital | HK\$3,000,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Jiange Senbo Linye Company Limited ^{2,3} 劍閣縣森博林業有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | 100% | 100% | 100% | 100% | Forestry management and ginseng plantation |
| Gorgeous City Investment Limited | BVI | Ordinary | US\$12,500 | 100% | 100% | - | - | 100% | 100% | Investment holding |
| Sunny Land Capital Limited | BVI | Ordinary | US\$50,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Paracelsus Swiss Limited | Hong Kong | Ordinary | HK\$100,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Sunny Land Trading Limited 日地貿易有限公司 | Hong Kong | Ordinary | HK\$1 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Shenzhen Heng Fu Delaisi Intelligent Housing Limited ^{1,3} 深圳恒富得萊斯智能房屋有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Xiangyin Heng Fu Delaisi Intelligent Housing Limited ^{1,3} 湘陰恒富得萊斯智能房屋有限公司 | The PRC | Contributed capital | RMB650,000 | - | - | 100% | 100% | 100% | 100% | Dormant |
| Shenzhen Hengtai Integrated Housing Limited ^{2,3} 深圳恒泰集成房屋有限公司 | The PRC | Contributed capital | RMB830,000 | - | - | 100% | 100% | 100% | 100% | Dormant |

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

42. SUBSIDIARIES (Continued)

| Name of company | Place of incorporation/ establishment/ operations | Class of shares held | Paid up registered capital | Proportion of ownership interests held by the Company | | | | Proportion of voting power held by the Company | | Principal activities |
|--|---|----------------------|----------------------------|---|------|------------|------|--|------|----------------------|
| | | | | Directly | | Indirectly | | 2023 | 2022 | |
| | | | | 2023 | 2022 | 2023 | 2022 | | | |
| Shenzhen Zhongnanxing Transportation Technology Limited ^{2,3,4} 深圳市中安行交通科技有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | - | 100% | - | 100% | Dormant |
| Noble Bridge Investment Holdings Limited 富橋投資控股有限公司 | BVI | Ordinary | US\$1 | 100% | 100% | - | - | 100% | 100% | Investment holding |
| Garden Glaze Limited | BVI | Ordinary | US\$1,000 | 100% | 100% | - | - | 100% | 100% | Investment holding |
| High Centre Limited 軒中有限公司 | Hong Kong | Ordinary | HK\$1 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Shenzhen Shengshi Zhiyou Forestry Limited ^{1,3} 深圳市盛世智友林業有限公司 | The PRC | Contributed capital | RMB500,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Jiange Ruixiang Linye Company Limited ^{2,3} 劍閣縣瑞祥林業有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | 100% | 100% | 100% | 100% | Forestry management |
| Today Bridge Limited | BVI | Ordinary | US\$1,000 | 100% | 100% | - | - | 100% | 100% | Investment holding |
| Today Bridge Limited 今日橋有限公司 | Hong Kong | Ordinary | HK\$10,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Xinglonghe Shiye (Shenzhen) Limited ^{1,3} 興隆和實業(深圳)有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | 100% | 100% | 100% | 100% | Investment holding |
| Shanqingshuixiu Holdings (Shenzhen) Co., Ltd. ^{2,3} 山清水秀控股(深圳)有限公司 | The PRC | Contributed capital | RMB10,000,000 | - | - | 100% | - | 100% | - | Ginseng trading |
| Shenpai Industrial (Shenzhen) Co., Ltd. ^{2,3} 參派實業(深圳)有限公司 | The PRC | Contributed capital | RMB5,000,000 | - | - | 100% | - | 100% | - | Ginseng trading |
| Zhongqi Hengmai Holdings (Shenzhen) Co., Ltd. ^{2,3} 中啟恒邁控股(深圳)有限公司 | The PRC | Contributed capital | RMB20,000,000 | - | - | 100% | - | 100% | - | Ginseng trading |
| Huadi Hengsi (Shenzhen) Holdings Co., Ltd. ^{2,3} 華迪恒斯(深圳)控股有限公司 | The PRC | Contributed capital | RMB10,000,000 | - | - | 100% | - | 100% | - | Ginseng trading |
| Jiange Wantai Linye Company Limited ^{2,3} 劍閣縣萬泰林業有限公司 | The PRC | Contributed capital | RMB1,000,000 | - | - | 100% | 100% | 100% | 100% | Forestry Management |

¹ These entities are registered as wholly-foreign owned enterprises under the PRC laws.

² These entities are registered as limited liability enterprises under the PRC laws.

³ The English transliteration of the Chinese name is for identification purpose only and should not be regarded as the official English name.

⁴ This entity was disposed of 6 December 2022.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during the year and at the end of the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

43. DEBT RESTRUCTURING

The Company has been implementing debt restructuring for the Group during each of the years ended 30 June 2023 and 30 June 2022 and subsequent to 30 June 2023. Major events in connection with the debt restructuring are as follows:

On 3 December 2020, the Company announced that to facilitate the debt restructuring of the Company, Professor Fei Phillip, the chairman of the Board, has filed a winding up petition against the Company at the 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 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.

On 11 May 2021, the Company announced that the provisional liquidation of China Bozza Development Holdings Limited (in Provisional Liquidation in the Cayman Islands) was effected from 11 May 2021 and Mr. Osman Mohammed Arab, Mr. Lai Wing Lun and Mr. Martin Nicholas John Trott were appointed as JPLs for restructuring purposes with effect from 11 May 2021.

To further facilitate the restructuring of the Company and fulfilment of the resumption guidance set out by the Stock Exchange, the Company, Zhonggangtong International Holding Group Co., Limited ("**Zhanggangtong**"), an independent third party, and the JPLs have entered into a funding agreement (the "**Funding Agreement**") on 23 August 2022, pursuant to which Zhonggangtong has agreed to grant a credit facility of up to HK\$26 million to the Company, subject to the terms and conditions stipulated in the Funding Agreement. Details regarding the Funding Agreement are set out in the announcement dated 26 August 2022 made by the Company.

On 30 December 2022, the Company, the JPLs and Zhonggangtong entered into a restructuring framework agreement (the "**Restructuring Framework Agreement**"), pursuant to which the Company will implement a restructuring of the debts and liabilities, capital structure and share capital of the Company (the "**Proposed Restructuring**") including (i) the capital reorganisation of the Company and the change in board lot size of shares of the Company; (ii) subscription by Zhonggangtong of the new shares of the Company (as defined in the Restructuring Framework Agreement) for an aggregate subscription price of HK\$60 million; (iii) restructure of the Group's debts through the Creditors' Scheme (as defined in the Restructuring Framework Agreement), involving (a) the Creditors' Scheme Cash Consideration; (b) the Scheme Shares Issue; and (c) the Promissory Notes Issue.

On 14 July 2023, the Company implemented capital reorganization under which every 100 existing issued shares of HK\$0.002 each was consolidated into 1 consolidated share of the Company of HK\$0.20 each; and the par value of each consolidated share was reduced from HK\$0.20 to HK\$0.01.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 June 2023

43. DEBT RESTRUCTURING (Continued)

On 28 July 2023, the Company issued 466,000,000 shares of HK\$0.01 each to Zhanggangtong at the issue price of HK\$0.1288 per share, which was satisfied (i) by offsetting the outstanding amount drawn down from the credit facility provided under the Funding Agreement for a maximum of HK\$29,999,999; and (ii) the remainder of which, at least HK\$30,000,000, was settled by way of cash to the Company. In additions, under the Proposed Restructuring of the Restructuring Framework Agreement, the Company issued 140,000,000 shares of HK\$0.01 each to the Scheme Company, which holds the shares for the benefit of the creditors, at the issue price of HK\$0.55 per share.

Details regarding the above Proposed Restructuring are set out in the Company's announcements dated 30 December 2022, 13 July 2023, and 28 July 2023 and the Company's circular dated 3 March 2023.

44. EVENTS AFTER REPORTING PERIOD

In addition to certain events occurred subsequent to 30 June 2023 as detailed in Note 43, the Group has the following event which took place subsequent to the end of the reporting period:

Proposed acquisition of equity interest

On 16 August 2023, the Company and Shaanxi Jiashisen Pharmaceutical Investment Company Limited ("**Shaanxi Jiashisen**"), an independent third party, entered into the acquisition agreement, pursuant to which Shaanxi Jiashisen has agreed to sell and the Company has agreed to purchase 52% equity interest in Liuba County Jiashisen Traditional Chinese Medicine Comprehensive Development Company Limited ("**Liuba County Jiashisen**") at the total consideration of RMB7,128,670 (equivalent to approximately HK\$7,665,000). Liuba County Jiashisen was principally engaged in the cultivation, processing and distribution of a range of American ginseng products.

Completion of the acquisition by the Group of 52% equity interest in Liuba County Jiashisen are subject to certain conditions to be fulfilled by the contracting parties and has not taken place up to the date of approval of these consolidated financial statements.

Details regarding the proposed acquisition of the equity interest in Liuba County Jiashisen are set out in the Company's announcements dated 7 September 2023 and 8 September 2023.