



CHINA HEALTH

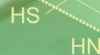
China Health Technology Group Holding Company Limited

中國健康科技集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability and formerly known as
China Bozza Development Holdings Limited 中國寶沙發展控股有限公司)*

(Stock code: 1069)

2023 INTERIM REPORT





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Corporate Information

DIRECTORS

Executive Directors

Professor Fei Phillip (*Chairman*)
Mr. Wang Yibin (*Chief Executive Officer*)
Mr. Li Wenjun
(retired on 21 November 2023)
Ms. Hui Hing Conniel
(retired on 21 November 2023)
Mr. Lai Chi Yin Samuel
(retired on 21 November 2023)
Mr. Chan Wai Lung
(re-designated from an independent non-executive director to an executive director on 14 August 2023 and resigned on 29 January 2024)

Non-executive Director

Mr. Gu Sotong
(retired on 21 November 2023)

Independent non-executive Directors

Mr. Guo Zhonglong
Mr. Chau Wing Nam
(appointed on 14 August 2023)
Ms. Bu Xue
(appointed on 14 August 2023)
Mr. Liu Zhaoxiang
(retired on 21 November 2023)
Ms. Wong Hoi Ying
(retired on 21 November 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

AUTHORISED REPRESENTATIVES

Professor Fei Phillip
Mr. Chan Ngai Fan
(resigned on 28 July 2023 and appointed on 31 January 2024)
Mr. Ngai Tsz Hin Michael
(appointed on 28 July 2023 and resigned on 31 January 2024)

REGISTERED OFFICE

PO Box 1350
Windward 3
Regatta Office Park
Grand Cayman
KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2808-10, 28/F of West Tower
Shun Tak Centre
No. 168-200 Connaught Road Central
Sheung Wan
Hong Kong

Corporate Information

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 and
resigned on 31 January 2024)

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

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

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

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

Name	Location	Size	Type of timber
Hengchang Forests	Muma Town, Jiange County of Sichuan Province	21,045 Chinese Mu (equivalent to 1,403 hectares)	Cypress
Kunlin Forests	Zhengxing Town, Jiange County of Sichuan Province	9,623 Chinese Mu (equivalent to 642 hectares)	Cypress
Senbo Forests	Yixing Town, Jiange County of Sichuan Province	13,219 Chinese Mu (equivalent to 881 hectares)	Cypress
Ruixiang Forests	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 December 2023, the Group successfully obtained the logging permits for the calendar year of 2023 with logging quantity of 12,044.0 cubic meters in aggregate. During the Reporting Period, the Group has completed the sales of logging quantity of approximately 5,620 cubic meters and has generated logging revenue of approximately RMB5.4 million.

Management Discussion and Analysis

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.

During the year ended 30 June 2023, 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. During the Reporting Period, no self-grown ginseng was sold as better price and profit can be obtained in the future in line with the growth period of the self-grown ginseng.

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 the Reporting Period, the Group has recorded revenue of approximately RMB13.6 million from the ginseng business.

Prospect

In respect of the forestry management business, during the Reporting Period, the Group has obtained the logging permits for the calendar year of 2023 with logging quantity of 12,044.0 cubic meters in aggregate, which is similar to the logging quantity obtained last year.

Management Discussion and Analysis

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. Currently, the Group is in the process of actively cultivating the first phase of ginseng. Upon successful 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.

DEBT RESTRUCTURING

Unless otherwise defined herein, capitalised terms used in this section headed “Debt Restructuring” shall have the same meanings as those defined in the announcement of the Company dated 30 December 2022 and the circular of the Company dated 3 March 2023.

In order to facilitate the Company’s debt restructuring, a winding up petition together with an application for the appointment (the “**JPL Application**”) of joint provisional liquidators (the “**JPLs**”) of the Company (for restructuring purposes) on a light touch approach for restructuring purposes was presented and filed with the Cayman Court by the Company.

The JPL Application was heard before the Cayman Court on 3 December 2020 (Cayman Islands time). The Cayman Court made the orders as sought by the Company under the JPL Application, inter alia, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Mr. Martin Nicholas John Trott of R&H Restructuring (Cayman) Ltd., were appointed as JPLs of the Company on a light touch approach for restructuring purpose. The provisional liquidation of the Company and the appointment of the JPLs pursuant to the order of the Cayman Court was recognised by the High Court of Hong Kong on 5 February 2021. Please refer to the announcements of the Company dated 3 December 2020, 9 December 2020, 28 January 2021, 11 May 2021 and 29 October 2021 for details.

Management Discussion and Analysis

The Company's solicitors had taken out an ex parte originating summons with the High Court of the Hong Kong Special Administrative Region (the "**Hong Kong Court**") for the hearing on 18 April 2023 of an application by the Company for an order to convene a meeting of the creditors (the "**Creditors' Meeting**") of the Company to consider and, if thought fit, approve, with or without modification, a scheme of arrangement (the "**Creditors' Scheme**") proposed by the Company, pursuant to section 670 of the Companies Ordinance (Cap. 622). By an order of the Hong Kong Court, the Scheme Meeting was convened on 18 May 2023.

Capital Reorganisation, the Subscription and the Creditors' Scheme

On 30 December 2022 (after trading hours), the Company, the JPLs and Zhonggangtong International Holding Group Co., Limited (the "**Investor**") have entered into the Restructuring Framework Agreement, pursuant to which the Company will implement the restructuring of the debts and liabilities, capital structure and share capital of the Company (the "**Restructuring**") including (i) the Capital Reorganisation and the Change in Board Lot Size; (ii) the Subscription; and (iii) the Creditors' Scheme involving (a) the Creditors' Scheme Cash Consideration; (b) the Scheme Shares Issue; and (c) the Promissory Notes Issue; (iv) the Whitewash Waiver; and (v) the Special Deals. Please refer to the announcement of the Company dated 30 December 2022 for details of the Restructuring Framework Agreement and the Restructuring.

All the proposed resolutions in relation to the Capital Reorganisation, the Subscription, the Creditors' Scheme, the Whitewash Waiver and the Special Deals were duly passed by the Shareholders or the Independent Shareholders (as the case may be) at the extraordinary general meeting held on 27 March 2023, and the Executive has granted the Whitewash Waiver on 21 March 2023 subject to, among other matters, no acquisition or disposal of voting rights being made by the Investor and its concert parties between the date of the announcement of the proposed issue of the new securities and the completion of the issue. The Executive has also granted its consent to the Special Deals on 21 March 2023. Please refer to the circular of the Company dated 3 March 2023 and the announcement of the Company dated 27 March 2023 for details.

At the Creditors' Meeting convened and held on 18 May 2023, the Creditors' Scheme was approved by the requisite statutory majorities of the creditors. On 9 June 2023, the Creditors' Scheme was sanctioned without modification by the Hong Kong Court.

Management Discussion and Analysis

The sealed sanction order was delivered to the Registrar of Companies in Hong Kong on 15 June 2023.

The Company announced on 28 July 2023 that with all the conditions precedent for the Capital Reorganisation having been fulfilled, the Capital Reorganisation became effective on 14 July 2023. The board lot size for trading on the Stock Exchange was changed from 40,000 Shares to 16,000 New Shares.

Immediately following the Capital Reorganisation becoming effective, the authorised share capital of the Company is HK\$100,000,000 divided into 10,000,000,000 New Shares of HK\$0.01 each.

Pursuant to the terms of the Restructuring Framework Agreement in relation to the Subscription, the Investor agreed to subscribe for, and the Company agreed to allot and issue, 466,000,000 Subscription Shares at the issue price of HK\$0.1288 per Subscription Share. With all the conditions precedent for the Subscription having fulfilled, the Subscription was completed on 28 July 2023.

The Creditors' Scheme is legally binding on the Company and its Creditors and it involves: (i) the Creditors' Scheme Cash Consideration; (ii) the Scheme Shares Issue; and (iii) the Promissory Notes Issue. With all the conditions precedent for the Creditors' having fulfilled, the Creditors' Scheme has become effective on 28 July 2023.

(i) Creditors' Scheme Cash Consideration

HK\$30 million of the total proceeds from the Subscription have been paid to the Scheme Company which will be utilised to be distributed to the Creditors with Admitted Claims on a pro-rata basis for their Admitted Claim.

(ii) Scheme Shares Issue

The Company allotted and issued 140,000,000 New Shares at the issue price of HK\$0.55 per Scheme Share to the Scheme Company, which holds such Scheme Shares for the benefit of the Creditors with Admitted Claims on a pro-rata basis for their Admitted Claims. The Scheme Shares will be further distributed to the Creditors in accordance with the terms of the Scheme.

Management Discussion and Analysis

(iii) Promissory Notes Issue

The Company issued Promissory Notes in the aggregate principal amount of HK\$120.0 million, secured by the charge of all forest lands owned by the Group, or secured by the charge of the entire shares in the company(ies) that owns those forest lands, to the Scheme Company for the benefit of the Creditors on a pro-rata basis for their Admitted Claims. The Promissory Notes have a maturity of five years and carry interest payable annually in arrears at the following rates: 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. The principal of the Promissory Notes will be repaid on the maturity date.

The Company, with the support of the JPLs, made an application to the Cayman Court for withdrawal or stay of the Petition and the discharge of the appointment of the JPLs. On 26 July 2023 (Cayman Islands time), the Cayman Court granted an order to approve the application and the JPLs have therefore been discharged and the Company has exited provisional liquidation (for restructuring purposes) on the same date.

Immediately following the completion of the Subscription and the Creditors' Scheme which has become effective on 28 July 2023, the issued and fully paid up capital of the Company is HK\$7,162,422.04 divided into 716,242,204 New Shares of HK\$0.01 each.

Resumption of Trading

The Company had also fulfilled all the resumption guidance issued by the Stock Exchange to the Company. The trading of the Company's shares was 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.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Company recorded a revenue of approximately RMB19.0 million (Previous Period: approximately RMB23.0 million). The Group's revenue for the Reporting Period was attributable to the revenue from the forestry business and ginseng business of the Group.

Gross Profit

The Group recorded a gross profit of approximately RMB3.8 million for the Reporting Period (Previous Period: approximately RMB5.1 million).

Selling and Distribution Expenses

The selling and distribution expenses for the Reporting Period amounted to RMB623,000 (Previous Period: RMB551,000). The selling and distribution costs were mainly attributable to advertising expense.

Administrative Expenses

The administrative expenses increased appropriately 55.6% from approximately 5.4 million for the Previous Period to approximately 8.4 million for the Reporting Period. The increase in administrative expenses was mainly attributable to legal and professional fee and depreciation charge.

Other Gains, net

For the Reporting Period, the Group recorded approximately RMB4.7 million other gains, net (Previous Period: approximately RMB8.6 million). Other gains mainly consisted of net gain on change in fair value less costs to sell of plantation forest assets of approximately RMB5.0 million.

Gain on Debt Restructuring

Gain on debt restructuring pursuant to the Restructuring Framework Agreement of approximately RMB202.02 million was recorded during the Reporting Period.

Management Discussion and Analysis

Such impact arose from the difference between the carrying amount of liabilities settled of approximately RMB410.17 million and (i) 140,000,000 shares issued by the Company to China Bozza Scheme Limited (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 (equivalent to approximately RMB70.61 million), on a pro-rata basis for the claims of creditors under the creditors’ scheme pursuant to the Restructuring Framework Agreement (the “**Creditors’ Scheme**”); (ii) promissory notes issued by the Company with a principal amount of HK\$120 million (equivalent to approximately RMB110.03 million), to the Scheme Company for the benefit of the creditors on a pro-rata basis for the claims of creditors under the Creditors’ Scheme, which will mature on 28 July 2028; and (iii) HK\$30 million cash consideration (equivalent to approximately RMB27.51 million) out of the proceeds of the subscription of 466,000,000 shares of the Company at the issue price of HK\$0.1288 by the Investor with the total amount of HK\$60 million, which has been paid to the Scheme Company. Details regarding the Restructuring Framework Agreement and the completion of restructuring of the Company pursuant to the Restructuring Framework Agreement are set out in the Company’s announcements dated 30 December 2022 and 28 July 2023.

Finance Costs

For the Reporting Period, the Group recorded finance costs of RMB51,000 (Previous Period: approximately RMB9.0 million). The decrease in finance cost was attributable to the settlement of the claims of the creditors against the Company pursuant to the Creditors’ Scheme which has become effective on 28 July 2023.

Profit and Total Comprehensive Income for the Period

The Company recorded a profit of approximately RMB201.4 million for the Reporting Period as compared to a loss of approximately RMB1.2 million for the Previous Period. The total comprehensive income attributable for the period was approximately RMB207.9 million for the Reporting Period as compared to the total comprehensive expense of approximately RMB14.6 million for the Previous Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and proceeds from restructuring. As at 31 December 2023, the Group had total assets of approximately RMB141.4 million and net assets of approximately RMB16.8 million. The Group’s cash and bank balances as at 31 December 2023 amounted to approximately RMB1.5 million. As at 31 December 2023, there was no unutilised banking facilities (30 June 2023: nil).

Management Discussion and Analysis

PLEDGE ON ASSETS

As at 31 December 2023, there was no pledge of assets of the Group (30 June 2023: nil).

CONTINGENT LIABILITIES

Save as disclosed in this announcement, the Group did not have any significant contingent liabilities as at 31 December 2023.

FOREIGN EXCHANGE EXPOSURE AND RELATED HEDGES

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. During the Reporting Period, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets of the Group was approximately 88.1% as at 31 December 2023 (30 June 2023: 325.2%).

CAPITAL STRUCTURE

The share capital of the Company comprises only ordinary shares. As at 31 December 2023, the total number of the ordinary shares of the Company in issue was 716,242,204 shares (30 June 2023: 11,024,220,415 shares). The total equity attributable to owners of the Company was approximately RMB16.8 million (30 June 2023: total deficit on equity of approximately RMB316.7 million).

CAPITAL COMMITMENTS

The Group has no capital commitments as at 31 December 2023 (30 June 2023: nil).

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD AND MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

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.

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 of Hong Kong Limited (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; and (iv) a notice convening the extraordinary general meeting of the Company (the “**Circular**”) would be despatched to the Shareholders of the Company (the “**Shareholder(s)**”) in due course.

As at the date of this announcement, the Company is still finalizing certain information for inclusion in the Circular, primarily due to additional time required for conducting due diligence and valuation on the Target Company. It is expected that the despatch date of the Circular will be further postponed to a date on or before 31 March 2024.

For more details, please refer to the announcements of the Company dated 7 September 2023, 8 September 2023, 29 September 2023, 1 November 2023, 31 January 2024 and 29 February 2024 regarding the Acquisition and the delay in despatch of the Circular.

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

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no future plans for material investments or capital assets as at 31 December 2023.

EVENTS AFTER REPORTING PERIOD

Save for disclosed in this announcement, there was no material event which could have material impact to the Group's operating and financial performance after the Reporting Period and up to the date of this announcement.

CHANGE OF COMPANY NAME

In order to provide the Company with a new corporate image and benefit the Company's future business development, the Shareholders approved to change the name of the Company from "China Health Technology Group Holding Company Limited" to "China Health Technology Group Holding Company Limited" and to change the dual foreign name in Chinese of the Company from "中國寶沙發展控股有限公司" to "中國健康科技集團控股有限公司" (the "**Change of Company Name**") on the annual general meeting of the Company held on 21 November 2023. The Change of Company Name has become effective following the issue of the certificate of incorporation on change of name by the Registrar of Companies in Cayman Islands on 27 November 2023. For further details, please refer to the announcements of the Company dated 25 October 2023 and 29 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had a total of 27 employees and management personnel as compared to 16 employees and management personnel as at 31 December 2022. Total staff costs for the Reporting Period, including Directors' remuneration, amounted to approximately RMB1.9 million (Previous Period: RMB2.2 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.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Reporting Period (Previous Period: nil).

Other Information and Corporate Governance

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

As at 31 December 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 Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (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 ⁽¹⁾
Zhonggangtong International Holding Group Co., Limited	Beneficial Owner	Long position	174,376,000 ⁽²⁾	24.40%
Ms. Huang Hou	Interest in a controlled corporation	Long position	174,376,000 ⁽²⁾	24.40%
China Bozza Scheme Limited	Beneficial Owner	Long position	140,000,000 ⁽³⁾	19.55%
Able Planet International Limited	Interest in a controlled corporation	Long position	140,000,000 ⁽³⁾	19.55%
Mr. Osman Mohammed Arab	Interest in a controlled corporation	Long position	140,000,000 ⁽³⁾	19.55%
Mr. Lai Wing Lun	Interest in a controlled corporation	Long position	140,000,000 ⁽³⁾	19.55%

Notes:

- The relevant percentage is calculated by reference to the Shares in issue on 31 December 2023 i.e. 716,242,204 shares.
- Zhonggangtong International Holding Group Co., Limited is wholly owned by Ms. Huang Hou. Accordingly, Ms. Huang Hou is deemed, or taken to be, interested in all the Shares held by Zhonggangtong International Holding Group Co., Limited for the purpose of the SFO.
- China Bozza Scheme Limited is wholly owned by Able Planet International Limited, and Able Planet International Limited is jointly controlled by the Scheme Administrators of the Creditor's Scheme, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun. Accordingly, Mr. Osman Mohammed Arab and Mr. Lai Wing Lun are deemed, or taken to be, jointly interested in all the Shares held by China Bozza Scheme Limited for the purpose of the SFO.



Other Information and Corporate Governance

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

As at 31 December 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 for Securities Transactions by Directors of Listed Issuers of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed shares of the Company during the Reporting Period.

COMPETING INTEREST

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the service contracts and letters of appointment entered into with the respective Directors, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or any time during the Reporting Period.

Other Information and Corporate Governance

OTHER CHANGES IN DIRECTORS' INFORMATION

Other changes in Directors' information of the Company subsequent to the publication of the 2023 annual report are set out below:

1. Professor Fei Phillip ceased to be a member of each of the Remuneration Committee and Nomination Committee with effect from 14 August 2023;
2. Mr. Chau Wing Nam was appointed as an independent non-executive Director, the chairman of the audit committee of the Company (the "**Audit Committee**") and the chairman of the remuneration committee of the Company (the "**Remuneration Committee**") with effect from 14 August 2023;
3. Ms. Bu Xue was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the nomination committee of the Company (the "**Nomination Committee**") with effect from 14 August 2023;
4. Mr. Guo Zhonglong has been appointed as the chairman of the Nomination Committee and a member of the Remuneration Committee and has been re-designated as a member of the Audit Committee with effect from 14 August 2023;
5. Mr. Li Wenjun retired as an executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**") with effect from 21 November 2023;
6. Ms. Hui Hing Conniel retired as an executive Director with effect from 21 November 2023;
7. Mr. Lai Chi Yin Samuel retired as an executive Director with effect from 21 November 2023;
8. Mr. Gu Sotong retired as a non-executive Director with effect from 21 November 2023;
9. Mr. Liu Zhaoxiang ceased to be a member of the Audit Committee with effect from 14 August 2023 and retired as an independent non-executive Director with effect from 21 November 2023;
10. Ms. Wong Hoi Ying ceased to be the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee with effect from 14 August 2023 and retired as an independent non-executive Director with effect from 21 November 2023;

Other Information and Corporate Governance

11. Mr. Chan Wai Lung was re-designated as an executive Director and ceased to be the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee with effect from 14 August 2023 and appointed as the Chief Executive Officer with effect from 21 November 2023;
12. Mr. Chan Wai Lung resigned as an executive Director and the Chief Executive Officer with effect from 29 January 2024; and
13. Mr. Wang Yibin was appointed as a member of the Nomination Committee with effect from 14 August 2023 and was appointed as the Chief Executive Officer with effect from 29 January 2024.

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Company has adopted all the code provisions (the “**Code Provisions**”) contained in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 (formerly Appendix 14) to the Listing Rules as the Company’s code on corporate governance. The Board shall review and update its code of corporate governance from time to time to ensure its continuous compliance with the CG Code. Throughout the Reporting Period, in the opinion of the Board, the Company complied with all the Code Provisions contained in the CG Code and, where appropriate, adopted the Recommended Best Practices set out in the CG Code, with the exceptions of Code Provisions C.1.8 and D.1.2 as addressed below:

1. Under Code Provision C.1.8, the Company should arrange appropriate insurance cover in respect of any legal action against its Directors and officers. As at 31 December 2023, the Company has not arranged to purchase any Directors and Officers’ Liability Insurance, which covers in respect of legal action against the Directors, as the Directors take the view that the Company shall provide support to the Directors in any events arising from corporate activities;

Other Information and Corporate Governance

- 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Appendix C3 (formerly Appendix 10) – Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules. Having made specific enquiry with all the Directors, the Company confirmed that all the Directors have complied with the code of conduct and the required standard of dealings concerning securities transactions by the Directors for the Reporting Period.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the Code Provisions as set out in Appendix C1 (formerly Appendix 14) of the Listing Rules. As at the date of this announcement, the Audit Committee has three members comprising our three independent non-executive Directors, namely Mr. Chau Wing Nam, Mr. Guo Zhonglong and Ms. Bu Xue. Mr. Chau Wing Nam has been appointed as the chairman of the Audit Committee.

The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

The Group's unaudited interim financial statements for the Reporting Period have been reviewed by the Audit Committee.



Other Information and Corporate Governance

SUFFICIENCY OF PUBLIC FLOAT

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

By order of the Board

China Health Technology Group Holding Company Limited
Professor Fei Phillip

Chairman and Executive Director

Hong Kong, 29 February 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2023

		Six months ended 31 December 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
	Notes		
Revenue	4	19,020	23,021
Cost of sales		(15,262)	(17,952)
Gross profit		3,758	5,069
Investment and other income	6	3	4
Other gains	7	4,726	8,580
Selling and distribution expenses		(623)	(551)
Administrative expenses		(8,414)	(5,379)
Finance costs	8	(51)	(8,967)
Gain on debt restructuring	9	202,024	-
Profit/(loss) before tax	10	201,423	(1,244)
Income tax expense	11	(2)	-
Profit/(loss) for the period		201,421	(1,244)
OTHER COMPREHENSIVE INCOME/ (EXPENSE)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		6,448	(13,390)
Other comprehensive income/(expense) for the period		6,448	(13,390)
Total comprehensive income/(expense) for the period		207,869	(14,634)
		RMB Cents	RMB Cents (restated)
Profit/(loss) per share	13		
Basic		32.11	(1.13)
Diluted		N/A	N/A

Condensed Consolidated Statement of Financial Position

As at 31 December 2023

		31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	14	1,218	1,293
Right-of-use asset	15	44,532	46,309
Plantation forest assets	16	48,420	48,420
Plantation ginseng assets		28,108	22,000
		122,278	118,022
CURRENT ASSETS			
Inventories		1,197	987
Trade and other receivables	17	11,184	10,399
Deposits and prepayments		5,267	6,908
Bank balances and cash		1,512	4,327
		19,160	22,621
CURRENT LIABILITIES			
Trade and other payables	18	10,840	99,008
Promissory notes payable	19	–	58,035
Corporate bonds payable	20	–	282,191
Lease liabilities		2,194	2,092
Income tax payable		1,548	1,568
		14,582	442,894
NET CURRENT ASSETS/(NET CURRENT LIABILITIES)		4,578	(420,273)
TOTAL ASSETS LESS CURRENT LIABILITIES		126,856	(302,251)

Condensed Consolidated Statement of Financial Position

As at 31 December 2023

		31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
	Notes		
NON-CURRENT LIABILITIES			
Promissory notes payable	19	110,034	–
Corporate bonds payable	20	–	13,351
Lease liabilities		–	1,106
		110,034	14,457
NET ASSETS/(NET LIABILITIES)		16,822	(316,708)
Capital and reserves			
Share capital	21	6,564	19,016
Reserves		10,258	(335,724)
Total equity/(deficit)		16,822	(316,708)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2023

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	
At 1 July 2022 (audited)	19,016	807,536	(308)	18,038	(1,150,917)	(306,635)
Loss for the period	-	-	-	-	(1,244)	(1,244)
Other comprehensive expense for the period	-	-	(13,390)	-	-	(13,390)
Total comprehensive expenses for the period	-	-	(13,390)	-	(1,244)	(14,634)
At 31 December 2022 (unaudited)	19,016	807,536	(13,698)	18,038	(1,152,161)	(321,269)
Loss for the period	-	-	-	-	(9,556)	(9,556)
Other comprehensive income for the period	-	-	14,117	-	-	14,117
Total comprehensive income for the period	-	-	14,117	-	(9,556)	4,561
At 30 June 2023 and 1 July 2023 (audited)	19,016	807,536	419	18,038	(1,161,717)	(316,708)
Profit for the period	-	-	-	-	201,421	201,421
Other comprehensive income for the period	-	-	6,448	-	-	6,448
Total comprehensive income for the period	-	-	6,448	-	201,421	207,869
Issue of shares under restructuring (note 9)	(12,452)	(688,629)	-	-	826,742	125,661
At 31 December 2023 (unaudited)	6,564	118,907	6,867	18,038	(133,554)	16,822

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2023

	Six months ended 31 December 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Net cash generated from operating activities	3,293	24,284
Net cash used in investing activities	(6,108)	(15,960)
Net cash used in financing activities	-	-
Net (decrease)/increase in cash and cash equivalents	(2,815)	8,324
Cash and cash equivalents at beginning of the period	4,327	1,106
Cash and cash equivalents at end of the period, represented by bank balances and cash	1,512	9,430

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

1. GENERAL INFORMATION

China Health Technology Group Holding Company Limited is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of the Stock Exchange. The trading of shares of the Company 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 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 Group is 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.

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements and selected explanatory notes have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

2. BASIS OF PREPARATION (CONTINUED)

The accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 31 December 2023 are the same as those presented in the Group's consolidated financial statements for the year ended 30 June 2023.

Going concern basis

The directors of the Company have, at the time of approving the condensed consolidated interim financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for plantation forest assets, which are measured at fair value. Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated interim financial statements for the six months ended 31 December 2023 are the same as those presented in the Group's audited consolidated financial statements for the year ended 30 June 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2023 for the preparation of the Group's condensed consolidated interim financial statements:

HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17 and HKFRS 17 (Amendments)	Insurance Contracts and related Amendments
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs (Continued)

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

4. REVENUE

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

	Six months ended 31 December 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue from sales of goods	19,020	23,021
Total revenue	19,020	23,021

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

5. SEGMENT INFORMATION

Information reported to the chairman of the Board (being the chief executive decision maker) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods and services delivered.

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

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

Information regarding the above segments for the six months ended 31 December 2023 and 2022 respectively is presented below.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

5. SEGMENT INFORMATION (Continued)

Segment revenues and results

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

For the six months ended 31 December 2023 (unaudited)

	Forestry Business RMB'000	Ginseng Business RMB'000	Total RMB'000
Segment revenue	5,440	13,580	19,020
Segment profit	2,763	2,470	5,233
Unallocated bank interest income			3
Other unallocated income			202,024
Other unallocated expenses			(5,786)
Finance costs			(51)
Profit before tax			201,423
Income tax expense			(2)
Profit for the period			201,421

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

5. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the six months ended 31 December 2022 (unaudited)

	Forestry Business RMB'000	Ginseng Business RMB'000	Total RMB'000
Segment revenue	8,580	14,441	23,021
Segment profit	7,489	3,344	10,833
Unallocated bank interest income			4
Other unallocated income			-
Other unallocated expenses			(3,114)
Finance costs			(8,967)
Loss before tax			(1,244)
Income tax expenses			-
Loss for the period			(1,244)

Segment assets and liabilities

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
Segment assets		
Forestry Business	101,576	98,631
Ginseng Business	34,521	34,438
Total segment assets	136,097	133,069
Unallocated assets	5,341	7,574
Consolidated assets	141,438	140,643

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

5. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
Segment liabilities		
Forestry Business	6,144	7,235
Ginseng Business	4,617	7,656
Total segment liabilities	10,761	14,891
Unallocated liabilities	113,855	442,460
Consolidated liabilities	124,616	457,351

6. INVESTMENT AND OTHER INCOME

	Six months ended 31 December 2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Bank interest income	3	3
Sundry income	–	1
Total investment and other income	3	4

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

7. OTHER GAINS, NET

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Net gain on change in fair value less costs to sell of plantation forest assets	5,027	8,580
Exchange loss	(301)	–
Total other gains, net	4,726	8,580

8. FINANCE COSTS

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Interest on:		
– promissory notes payable	–	1,301
– corporate bonds payable	–	7,666
– lease liabilities	51	–
	51	8,967

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

9. GAIN ON DEBT RESTRUCTURING

	Six months ended 31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Gain on debt restructuring	202,024	–

Gain on debt restructuring pursuant to the restructuring framework agreement (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 and Zhonggangtong International Holding Group Co., Limited (the “**Investor**”) on 30 December 2022 of approximately RMB202.02 million was recorded during the period under review. Such impact arose from the difference between the carrying amount of liabilities settled of approximately RMB410.17 million and (i) 140,000,000 shares issued by the Company to China Bozza Scheme Limited (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 (equivalent to approximately RMB70.61 million), on a pro-rata basis for the claims of creditors under the creditors’ scheme pursuant to the Restructuring Framework Agreement (the “**Creditors’ Scheme**”); (ii) promissory notes issued by the Company with a principal amount of HK\$120 million (equivalent to approximately RMB110.03 million), to the Scheme Company for the benefit of the creditors on a pro-rata basis for the claims of creditors under the Creditors’ Scheme, which will mature on 28 July 2028; and (iii) HK\$30 million cash consideration (equivalent to approximately RMB27.51 million) out of the proceeds of the subscription of 466,000,000 shares of the Company at the issue price of HK\$0.1288 by the Investor with the total amount of HK\$60 million, which has been paid to the Scheme Company. Details regarding the Restructuring Framework Agreement and the completion of restructuring of the Company pursuant to the Restructuring Framework Agreement are set out in the Company’s announcements dated 30 December 2022 and 28 July 2023.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

10. PROFIT/(LOSS) BEFORE TAX

	Six months ended	
	31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit/(loss) before tax has been arrived at after charging:		
Directors' emoluments	1,074	1,139
Other staff costs	810	1,029
Total staff costs	1,884	2,168
Auditors' remuneration		
– audit services	–	–
– non-audit services	–	178
Cost of inventories recognised and timber harvested	15,262	17,952
Depreciation charge in respect of:		
– property, plant and equipment	64	–
– right-of-use assets	1,777	732
Short-term lease expenses	698	692

11. INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
PRC Enterprise Income Tax		
Charge for the year	–	–
Under-provision in prior years	2	–
Income tax expense	2	–

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

11. INCOME TAX EXPENSE (Continued)

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 year and the prior period has been made in the consolidated financial statements as the Group has no assessable profit subject to tax in respect of both of the periods.

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 year presented.

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.

12. DIVIDEND

No dividend was paid, declared or proposed during the six months ended 31 December 2023, nor had any dividend been proposed since the end of the reporting period six months ended 31 December 2022.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

13. PROFIT/(LOSS) PER SHARE

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

	Six months ended 31 December 2023	2022
	(Unaudited) RMB'000	(Unaudited) RMB'000
Profit/(loss)		
Profit/(loss) for the purpose of basic profit/(loss) per share		
Profit/(loss) for the period attributable to owners of the Company	201,421	(1,244)

	Six months ended 31 December 2023	2022
	(Unaudited) '000	(Unaudited) '000 (restated)
Profit/(loss)		
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic profit/(loss) per share (Note (i))	627,318	110,242

Notes:

- (i) The weighted average numbers of ordinary shares adopted for the Reporting Period and the comparative Previous Period have been calculated to take into account the share consolidation of the Company implemented on 14 July 2023. Loss per share for the comparative Previous Period has been restated accordingly.
- (ii) No diluted profit/(loss) per share were presented as there were no potentially dilutive ordinary share in issue during both of the periods presented.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

14. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fixtures RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST			
At 1 July 2022 (audited)	445	865	1,310
Additions	1,275	–	1,275
Exchange realignment	12	74	86
At 30 June 2023 and 1 July 2023 (audited)	1,732	939	2,671
Exchange realignment	(25)	(15)	(40)
At 31 December 2023 (unaudited)	1,707	924	2,631
ACCUMULATED DEPRECIATION			
At 1 July 2022 (audited)	417	865	1,282
Depreciation provided for the year	11	–	11
Exchange realignment	11	74	85
At 30 June 2023 and 1 July 2023 (audited)	439	939	1,378
Depreciation provided for the period	64	–	64
Exchange realignment	(14)	(15)	(29)
At 31 December 2023 (unaudited)	489	924	1,413
CARRYING AMOUNTS			
At 31 December 2023 (unaudited)	1,218	–	1,218
At 30 June 2023 (audited)	1,293	–	1,293

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

15. RIGHT-OF-USE ASSETS

	Leased land	Leased properties	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 July 2022 (audited)	44,633	–	44,633
Additions, at cost	–	4,185	4,185
Depreciation provided for the year	(1,463)	(1,046)	(2,509)
Carrying amount at 30 June 2023 and 1 July 2023 (audited)	43,170	3,139	46,309
Depreciation provided for the period	(731)	(1,046)	(1,777)
Carrying amount at 31 December 2023 (unaudited)	42,439	2,093	44,532

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

16. PLANTATION FOREST ASSETS

	Hengchang Forest (Note (a)) RMB'000	Kunlin Forest (Note (b)) RMB'000	Senbo Forest (Note (c)) RMB'000	Ruixiang Forest (Note (d)) RMB'000	Wantai Forest (Note (e)) RMB'000	Total RMB'000
At 1 July 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	360	6,769	2,664	17,617	10,703	38,113
At 30 June 2023 and 1 July 2023 (audited)	11,200	6,630	7,990	12,200	10,400	48,420
Harvested timber transferred to cost of inventories sold	-	(5,027)	-	-	-	(5,027)
Changes in fair value less costs to sell	-	5,027	-	-	-	5,027
At 31 December 2023 (unaudited)	11,200	6,630	7,990	12,200	10,400	48,420

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

16. PLANTATION FOREST ASSETS (Continued)

Notes:

(a) Hengchang Forest

On 28 May 2013, the Group acquired the entire equity interest in China Timbers Limited ("**China Timbers**") and its subsidiaries (collectively referred as to the "**China Timbers Group**") which are principally engaged in the operation and management of the forest in Muma Town, Jiange County, Sichuan Province, the PRC ("**Hengchang Forest**"). The Hengchang Forest had a total leasehold land base of approximately 21,045 Chinese Mu (equivalent to approximately 1,403 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Hengchang Forest. During the period under review, no timber logs (six months ended 31 December 2022: 2,772 cubic metres) in respect of the Hengchang Forest was harvested and the fair value of the timber logs harvested amounted to nil (six months ended 31 December 2021: RMB1,001,000) which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2023, the Hengchang Forest is estimated to comprise approximately 1,389 hectares (30 June 2023: 1,389 hectares) of cypress with no tree plantations aged 40 years or older.

(b) Kunlin Forest

On 26 February 2016, the Group acquired the entire equity interest in Exceed Target Investment Group Limited ("**Exceed Target**") and its subsidiaries (collectively referred to as the "**Exceed Target Group**"). At the date of acquisition, Excel Target Group included Jiange Kunlin Linye Company Limited, which is principally engaged in the operation and management of the forest in Zhengxing Town, Jiange County, Sichuan Province, the PRC ("**Kunlin Forest**"). Jiange Kunlin Linye Company Limited was transferred from Exceed Target Group to China Timbers Group on 14 November 2018. The Kunlin Forest had a total leasehold land base of approximately 9,623 Chinese Mu (equivalent to approximately 642 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Kunlin Forest. During the period under review, timber logs of approximately 5,620 cubic metres (six months ended 31 December 2022: 5,599 cubic metres) in respect of Kunlin Forest was harvested and the fair value of the timber logs harvested amounted to approximately RMB5,027,000 (six months ended 31 December 2022: RMB2,550,000) which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2023, the Kunlin Forest is estimated to comprise of approximately 642 hectares (30 June 2023: 642 hectares) of cypress with no tree plantations aged 40 years or older.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

16. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(c) Senbo Forest

On 11 October 2016, the Group acquired the entire equity interest in Huxiang International Holdings Limited ("**Huxiang**") and its subsidiaries (collectively referred to as the "**Huxiang Group**") which principally holds plantation forest assets in Yixing Town, Jiange County, Sichuan Province, the PRC ("**Senbo Forest**"). The Senbo Forest had a total leasehold land base of approximately 13,219 Chinese Mu (equivalent to approximately 881 hectares). All of the forestry ownership certificates for the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Senbo Forest. During the period under review, no timber logs (six months ended 31 December 2022: 2,390 cubic metres) in respect of Senbo Forest was harvested and the fair value of the timber logs harvested amounted to nil (six months ended 31 December 2022: RMB1,401,000) which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2023, the Senbo Forest is estimated to comprise of approximately 881 hectares (30 June 2023: 881 hectares) of cypress with approximately 169 hectares (30 June 2023: 169 hectares) of tree plantations aged 40 years or older.

(d) Ruixiang Forest

On 6 June 2017, the Group acquired the entire equity interest in Garden Glaze Limited ("**Garden Glaze**") and its subsidiaries (collectively referred to as the "**Garden Glaze Group**") which principally holds plantation forest assets in Longyuanzhen, Houshixiang and Dianzixiang Town, Jiange County of the Sichuan Province in the PRC ("**Ruixiang Forest**"). The Ruixiang Forest had a total leasehold land base of approximately 30,653 Chinese Mu (equivalent to approximately 2,044 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Ruixiang Forest. During the period under review, no timber logs (six months ended 31 December 2022: 2,167 cubic metres) in respect of the Ruixiang Forest were harvested and the fair value of the timber logs harvested amounted to nil (six months ended 31 December 2022: RMB1,298,000), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2023, the Ruixiang Forest is estimated to comprise approximately 2,044 hectares (30 June 2023: 2,044 hectares) of cypress trees with approximately 9 hectares (30 June 2023: 9 hectares) of tree plantations with aged 40 years or older.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

16. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(e) Wantai Forest

On 24 August 2018, the Group acquired the entire equity interest in Today Bridge Limited ("**Today Bridge**") and its subsidiaries (collectively referred to as the "**Today Bridge Group**") which principally holds plantation forest assets in Kaifeng Town, Yingshui Village, Guangping Village, Zheba Village, Jiange County of the Sichuan Province in the PRC ("**Wantai Forest**"). The Wantai Forest had a total leasehold land base of approximately 42,814 Chinese Mu (equivalent to approximately of 2,854 hectares). All of the forestry ownership certificates of the plantation forest assets were obtained. The Group conducted various activities for assessing the species mix and forest volume of the Wantai Forest. During the period under review, no timber logs (six months ended 31 December 2022: 3,720 cubic metres) in respect of Wantai Forest was harvested and the fair value of the timbers logs harvested amounted to nil (six months ended 31 December 2022: RMB2,330,000), which was estimated by reference to their sale prices less costs to sell, was transferred to cost of inventories sold. As at 31 December 2023, the Wantai Forest is estimated to comprise approximately 2,854 hectares (30 June 2023: 2,854 hectares) of cypress with no tree plantations with aged 40 years or older.

(f) Valuation of plantation forest assets

Management is of the view that the fair value less cost to sell of the Group's plantation forest assets at 31 December 2023 approximates those as at 30 June 2023.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

16. PLANTATION FOREST ASSETS (Continued)

Notes: (Continued)

(g) Other risks associated with the plantation forest assets

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

Regulatory and environmental risks

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

Climate and other risks

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

Supply and demand risk

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

17. TRADE AND OTHER RECEIVABLES

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
Trade receivables	4,212	6,933
Other receivables	6,972	3,466
	11,184	10,399

The Group generally allows an average credit period of 120 days (30 June 2023: 120 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:

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
0–90 days	211	20
91–180 days	4,001	6,913
181–365 days	–	–
Total	4,212	6,933

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

18. TRADE AND OTHER PAYABLES

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
Trade payables (Note (i) & (ii))	1,629	2,145
Amounts due to former directors (Note (iii))	–	1,235
Other payables	6,929	36,521
Accrued charges	2,282	21,170
Interests payable on promissory notes payable and corporate bonds payable	–	37,937
	10,840	99,008

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:

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
0–30 days	652	1,000
31–90 days	–	–
Over 90 days	977	1,145
	1,629	2,145

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

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

19. PROMISSORY NOTES PAYABLE

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
Promissory notes payable within one year:		
– issued on 6 June 2017 (note a)	–	23,234
– issued on 15 August 2018 (note b)	–	34,801
	–	58,035
Promissory notes payable beyond one year:		
– issued on 23 July 2023 (note c)	110,034	–
	110,034	58,035

(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.

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.

At the end of the reporting period, the Note A was fully repaid (30 June 2023: principal amount of HK\$23,800,000 was outstanding).

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

19. 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.

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.

At the end of the reporting period, the Note B was fully repaid (30 June 2023: principal amount of HK\$34,100,000 was outstanding).

(c) Promissory note issued on 23 July 2023 (the “Note C”)

Pursuant to the Creditors’ Scheme which has become effective on 28 July 2023, the Company issued the Note C in the aggregate principal amount of HK\$120,000,000, secured by the charge of all forest lands owned by the Group, or secured by the charge of the entire shares in the company(ies) that owns those forest lands, to the Scheme Company for the benefit of the Creditors on a pro-rata basis for their Admitted Claims. The Note C has a maturity of five years and carry interest payable annually in arrears at the following rates; 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. The principal of the Note C will be repaid on the maturity date.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

20. CORPORATE BONDS PAYABLE

	31 December 2023 (Unaudited) RMB'000	30 June 2023 (Audited) RMB'000
Unsecured corporate bonds payable:		
– Within one year	–	282,191
– More than one year, but not exceeding two years	–	1,280
– More than two years, but not exceeding five years	–	12,071
	–	295,542
Less: Amount shown under current liabilities	–	(282,191)
	–	13,351

On 31 December 2023, no unsecured corporate bonds was outstanding (30 June 2023: outstanding principal approximately HK\$279,769,000). The effective interest rate of the unsecured corporate bonds in respect of the year ended 30 June 2023 ranged from 4.00% to 11.33% per annum.

During the period under review, the Company had settled the corporate bonds payable pursuant to the Restructuring Framework Agreement. Details of the restructuring are set out in Note 9.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

21. SHARE CAPITAL

	Note	Par value HK\$	Number of ordinary shares '000	Nominal amount of ordinary shares HK\$'000
Authorised:				
Ordinary shares of HK\$0.002 per share				
At 1 July 2023		0.002	50,000,000	100,000
Share Consolidation	(a)	0.198	(49,500,000)	-
Authorised Share Capital Diminution	(b)	(0.190)	(389,758)	(98,898)
Increase in Authorised Share Capital	(c)	-	9,889,758	98,898
At 31 December 2023		0.01	10,000,000	100,000

	Note	Par value HK\$	Number of ordinary shares '000	Nominal amount of Ordinary Shares HK\$'000	Carrying amount RMB'000
Issued and fully paid:					
Ordinary shares of HK\$0.002 per share					
At 1 July 2023		0.002	11,024,220	22,048	19,016
Share Consolidation	(a)	0.198	(10,913,978)	-	-
Authorised Share Capital Diminution	(b)	(0.190)	-	(20,946)	(18,008)
Subscription	(d)	-	466,000	4,660	4,273
Allotment of shares	(e)	-	140,000	1,400	1,283
At 31 December 2023		0.01	716,242	7,162	6,564

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 31 December 2023

21. SHARE CAPITAL (Continued)

Notes:

- (a) the Share Consolidation – the consolidation of every 100 issued Shares of HK\$0.002 each into one Consolidated Share of HK\$0.20 each;
- (b) the Capital Reduction – upon the Share Consolidation becoming effective, the par value of each Consolidated Share will be reduced from HK\$0.20 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.19 on each Consolidated Share and the Authorised Share Capital Diminution – to diminish the authorised but unissued share capital by cancelling all the existing authorised but unissued shares (which shall include the authorised but unissued share capital arising from the Capital Reduction);
- (c) the Authorised Share Capital Increase – upon the Capital Reduction and the Authorised Share Capital Diminution becoming effective, the Company's authorised share capital will be increased from HK\$1,102,422 divided into 110,242,204 shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 New Shares of HK\$0.01 each by creation of 9,889,757,796 New Shares;
- (d) Pursuant to the Subscription Agreement, the Investor will subscribe for 466,000,000 Subscription Shares at the price of approximately HK\$0.1288 per Subscription Share for an aggregate subscription price of HK\$60.0 million; and
- (e) Under the Creditors' Scheme, the Company will allot and issue 140,000,000 New Shares at the issue price of HK\$0.55 per share.