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## China Beidahuang Industry Group Holdings Limited 中國北大荒產業集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 00039)

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of China Beidahuang Industry Group Holdings Limited (the “**Company**”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 together with the comparative figures for 2021 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	4	<b>930,276</b>	928,785
Cost of sales		<b>(795,067)</b>	(767,708)
Gross profit		<b>135,209</b>	161,077
Other income, gains or losses	5	<b>2,697</b>	17,384
Selling and distribution expenses		<b>(22,924)</b>	(23,719)
Administrative expenses		<b>(92,196)</b>	(108,467)
Profit from operation		<b>22,786</b>	46,275
Net allowance of expected credit losses		<b>(40,351)</b>	(58,937)
Other operating expense		<b>(38,903)</b>	(34,666)
Finance costs	6	<b>(148,496)</b>	(101,839)
Share of loss of associates		<b>(19,934)</b>	(20,963)
Gain on disposal of subsidiaries		<b>627</b>	–
Loss before taxation	7	<b>(224,271)</b>	(170,130)
Taxation	8	<b>1,872</b>	(7,160)

	2022	2021
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>LOSS FOR THE YEAR</b>	<b>(222,399)</b>	(177,290)
Other comprehensive (expense)/income Items that may be reclassified subsequently to profit or loss:		
Release of exchange differences upon disposal of subsidiaries	5,655	–
Exchange differences arising on translation of foreign operations and associates	<u>(117,283)</u>	<u>11,242</u>
Total comprehensive expense for the year	<u><b>(334,027)</b></u>	<u>(166,048)</u>
Loss attributable to:		
Owners of the Company	(218,450)	(170,916)
Non-controlling interests	<u>(3,949)</u>	<u>(6,374)</u>
	<u><b>(222,399)</b></u>	<u>(177,290)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(326,868)	(160,251)
Non-controlling interests	<u>(7,159)</u>	<u>(5,797)</u>
	<u><b>(334,027)</b></u>	<u>(166,048)</u>
<b>LOSS PER SHARE</b>	<i>10</i>	
– Basic and diluted ( <i>in HK cents</i> )	<u><b>(3.49)</b></u>	<u>(2.75)</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>44,004</b>	57,697
Investment properties		<b>412,381</b>	454,913
Right-of-use assets		<b>96,522</b>	667,407
Rental deposits paid		–	4,298
Goodwill		<b>3,675</b>	4,032
Other intangible assets		–	–
Interests in associates		<b>204,738</b>	284,605
		<hr/> <b>761,320</b>	<hr/> 1,472,952
<b>CURRENT ASSETS</b>			
Inventories		<b>149,351</b>	97,000
Properties for sale		<b>383,980</b>	411,934
Trade receivables	<i>12</i>	<b>145,567</b>	136,689
Loan receivables	<i>11</i>	<b>199,358</b>	290,171
Prepayments, deposits and other receivables		<b>290,518</b>	443,872
Cash and cash equivalents		<b>14,880</b>	27,433
		<hr/> <b>1,183,654</b>	<hr/> 1,407,099
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>13</i>	<b>157,291</b>	140,738
Other payables and accruals		<b>247,566</b>	147,986
Contract liabilities		<b>132,835</b>	209,222
Bank and other borrowings		<b>440,044</b>	520,999
Amounts due to related parties		<b>691</b>	14,940
Tax payable		<b>5,461</b>	8,825
Lease liabilities		<b>38,569</b>	144,853
		<hr/> <b>1,022,457</b>	<hr/> 1,187,563

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>NET CURRENT ASSETS</b>	<u>161,197</u>	<u>219,536</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>922,517</u>	<u>1,692,488</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	24,446	29,380
Lease liabilities	<u>112,437</u>	<u>558,712</u>
Total non-current liabilities	<u>136,883</u>	<u>588,092</u>
Net assets	<u><u>785,634</u></u>	<u><u>1,104,396</u></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	631,337	622,513
Reserves	<u>170,475</u>	<u>506,167</u>
	801,812	1,128,680
<b>Non-controlling interests</b>	<u>(16,178)</u>	<u>(24,284)</u>
Total equity	<u><u>785,634</u></u>	<u><u>1,104,396</u></u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

## 1. BASIS OF PREPARATION

The consolidated financial statements have been 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**”), For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 the Hong Kong Companies Ordinance.

### Going concern basis

As at 31 December 2022, the Group had defaulted in repayments of its debts, including: i) secured bonds of principal amount of HK\$109,000,000 and interests thereon of approximately HK\$78,969,000 (the “**Defaulted Secured Bonds**”); ii) unsecured bonds of principal amount of HK\$250,414,000 and interests thereon of approximately HK\$62,295,000 (the “**Default Unsecured Bonds**”); iii) other loans of principal amount of HK\$16,676,000 and interest thereon of approximately HK\$782,000 (the “**Defaulted Other loans**”); and iv) construction payables which, including additional penalties thereon, amounted to approximately HK\$95,997,000 (the “**Defaulted Construction Payables**”), in respect of which the Group had received a notice from the contractor of the event of default and demand for payment. In addition, the Group had outstanding bank and other borrowings other than the Defaulted Secured Bonds and Defaulted Unsecured Bonds of approximately HK\$63,954,000 as at 31 December 2022 which were due for repayment in the next twelve months after 31 December 2022 and incurred a loss for the year ended 31 December 2022 of approximately HK\$222,399,000.

However, the Group's cash and cash equivalents amounted to approximately HK\$14,880,000 as at 31 December 2022 and the financial resources available to the Group as at 31 December 2022 may not be sufficient to repay the Defaulted Secured Bonds, the Defaulted Unsecured Bonds, the Defaulted Other Loans and the Defaulted Construction Payables and other liabilities of the Group.

The events and conditions described above indicate that material uncertainties existed that cast significant doubts on the Group's ability to continue as a going concern, and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. In the preparation of the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors have adopted the going concern basis of accounting in the preparation of the consolidated financial statements and are of the view that the Group is able to continue as a going concern, after taking into account the plans and measures being implemented in order to improve the working capital and liquidity and cash flow position of the Group, as follows:

**1) Existing business**

Management is endeavoring to improve the Group's operating results and cash flows through various cost control measures and will focus on the existing business.

**2) Financial support**

A substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from the date of approval of the consolidated financial statements.

**3) *New funding***

The Company is negotiating with investors with a view to obtain further financing when necessary including but not limited to equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group.

**4) *Appointment of financial advisers in Hong Kong***

In November 2022 and March 2023, the Company engaged two independent professional advisers to assist the Company in negotiating with the creditors of the Company, assessing the financial position of the Group and formulating a holistic proposal (the “**Proposal**”) with the creditors, containing proposals targeted to improve the Group’s liquidity and financial position such as revised repayment schedule, finance cost saving measures and/or re-financing by new or renewed loans and/or equity. It is currently expected that the Proposal negotiations with the Company’s creditors will be held within half year from the date of this report and subject to the initial feedback of the creditors, be submitted to the Court having jurisdiction (where applicable), shareholders and creditors’ approval in the second half of 2023. In particular, the Company has been in ongoing negotiation with representatives of the bondholders in default and is cautiously optimistic with the outcome of such negotiations and proposals. If the Company succeeds in such negotiations and proposals, it is hoped that the Company’s creditors should be prepared to withhold or postpone the demand of immediate payment and or the taking of legal actions against the Group.

**5) *Entering agreement with investor for proposed restructuring***

On 29 March 2023, the Company and the investor which is independent third party entered into the legally binding term sheet “Term sheet” in connection with a proposed restructuring (the “**Proposed Restructuring**”), including but not limited to restructure the Group’s debt by initiating a credit scheme with the Group’s creditors.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatory effective for the current year

In the current year, the Group has applied the followings amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendment of HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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 HKFRSs	Annual Improvements to HKFRSs 2018-2020
Accounting Guidelines 5 (Revived)	Merger Accounting for Common Control Combination

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

### 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 1	Non-current liabilities with covenants <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



### 3. OPERATING SEGMENT INFORMATION

The chief operating decision maker (the “CODM”) has been identified as the executive directors of the Company. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources.

For management purposes, the Group is organised into business units based on their products and services and has six reportable operating segments as follows:

- (a) the wine and liquor segment is engaged in the sale and distribution of wine and liquor;
- (b) the trading of food products segment is engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food, commodity hog;
- (c) the construction and development segment is engaged in construction and land development;
- (d) the rental segment is engaged in the leasing of logistic facilities in Hong Kong and office facilities in the People’s Republic of China (“PRC”);
- (e) the financial leasing segment is engaged in the provision of financial leasing services; and
- (f) the mineral products segment is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products.

The CODM monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results. Segment results are measured consistently with the Group’s loss before taxation except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, amounts due to related parties and other unallocated head office and corporate liabilities as these liabilities are managed on group basis.

	Wine and liquor HK\$'000	Trading of food products HK\$'000	Construction and development HK\$'000	Rental HK\$'000	Financial leasing HK\$'000	Mineral products HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Year ended 31 December 2022</b>								
<b>Segment revenue:</b>								
Sales to external customers	-	464,803	-	231,852	16,128	217,493	-	930,276
<b>Revenue from contracts with customers</b>								
Timing of revenue recognition								
At a point in time	-	464,803	-	-	-	217,493	-	682,296
Revenue from other sources	-	-	-	231,852	16,128	-	-	247,980
Other gains	-	999	-	1,455	16	7	-	2,477
Other operating expenses	-	(7,891)	(172)	(39,708)	(1,701)	(3,318)	-	(52,790)
	-	457,911	(172)	193,599	14,443	214,182	-	879,963
<b>Segment results</b>	(1,703)	11,521	(378)	(34,769)	768	5,192	-	(19,369)
<i>Reconciliation:</i>								
Bank interest income								34
Unallocated other operating income or loss								186
Corporate and other unallocated expenses								(56,626)
Finance costs								(148,496)
Loss before taxation								(224,271)
Taxation								1,872
Loss for the year								(222,399)
<b>Segment assets</b>	65,167	478,035	431,761	420,628	203,435	289,076	-	1,888,102
<i>Reconciliation:</i>								
Elimination of intersegment receivables								(547,692)
Corporate and other unallocated assets								604,564
Total assets								1,944,974
<b>Segment liabilities</b>	753	321,261	270,307	110,089	79,516	85,983	-	867,909
<i>Reconciliation:</i>								
Elimination of intersegment payables								(550,134)
Corporate and other unallocated liabilities								841,565
Total liabilities								1,159,340
<b>Other segment information</b>								
Share of loss of associates	-	-	-	-	-	-	(19,934)	(19,934)
Impairment loss on right-of-use assets	-	-	-	(38,614)	-	-	-	(38,614)
Impairment loss on property, plant and equipment	-	-	-	(289)	-	-	-	(289)
Gain on disposal of subsidiary	-	-	-	627	-	-	-	627
Depreciation and amortisation	-	(2,297)	(28)	(159,221)	(411)	(2,966)	-	(164,923)
Interests in associates	-	-	-	-	-	-	204,738	204,738
Capital expenditure*	-	-	-	260	10	23	164	457
Fair value loss on investment properties	-	-	-	(2,325)	-	-	-	(2,325)

	Wine and liquor HK\$'000	Trading of food products HK\$'000	Construction and development HK\$'000	Rental HK\$'000	Financial leasing HK\$'000	Mineral products HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>Year ended 31 December 2021</b>								
<b>Segment revenue:</b>								
Sales to external customers	-	399,541	-	271,664	20,473	237,107	-	928,785
<b>Revenue from contracts with customers</b>								
Timing of revenue recognition								
At a point in time	-	399,541	-	-	-	237,107	-	636,648
Revenue from other sources	-	-	-	271,664	20,473	-	-	292,137
Other gains or (losses)	-	7,468	-	9,180	27	-	-	16,675
Other operating income/(expenses)	-	(3,592)	(49)	(34,524)	(91,899)	4,660	-	(125,404)
	-	403,417	(49)	246,320	(71,399)	241,767	-	820,056
<b>Segment results</b>	(26)	5,550	(22,125)	12,429	(73,703)	22,882	-	(54,993)
<i>Reconciliation:</i>								
Bank interest income								55
Unallocated other operating income or loss								654
Corporate and other unallocated expenses								(14,007)
Finance costs								(101,839)
Loss before taxation								(170,130)
Taxation								(7,160)
Loss for the year								(177,290)
<b>Segment assets</b>	4,099	650,364	502,217	1,060,798	307,939	368,013	-	2,893,430
<i>Reconciliation:</i>								
Elimination of intersegment receivables								(887,410)
Corporate and other unallocated assets								874,031
Total assets								2,880,051
<b>Segment liabilities</b>	3,679	612,892	266,575	783,370	179,328	145,735	-	1,991,579
<i>Reconciliation:</i>								
Elimination of intersegment payables								(887,410)
Corporate and other unallocated liabilities								671,486
Total liabilities								1,775,655
<b>Other segment information</b>								
Share of loss of associates	-	-	-	-	-	-	(20,963)	(20,963)
Impairment loss on goodwill	-	-	-	(33,479)	-	-	-	(33,479)
Impairment loss on right-of-use assets	-	-	-	(1,187)	-	-	-	(1,187)
Depreciation and amortisation	(26)	(3,069)	(69)	(155,276)	(421)	(3,077)	(131)	(162,069)
Interests in associates	-	-	-	-	-	-	284,605	284,605
Capital expenditure*	-	-	-	5,000	90	300	-	5,390
Fair value gain on investment properties	-	-	-	9,866	-	-	-	9,866

\* *Capital expenditure consists of additions of property, plant and equipment and investment properties.*

## Geographical information

Over 90% of the Group's customers are located in Mainland China and revenue of the Group is mainly derived from operations in Mainland China. The management considers that it is impracticable to allocate the assets, revenue and segment results to geographical locations.

## Information about a major customer

Revenue from customer related to trading of food products segment of the corresponding years contributing over 10% of the Group's revenue are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	– <sup>1</sup>	110,690
Customer B	– <sup>1</sup>	89,517

<sup>1</sup> *The corresponding revenue did not contribute over 10% of total revenue of the Group.*

## 4. REVENUE

The Group's revenue generated from wine and liquor, trading of food products and mineral products business segments are revenue from contracts with customers under HKFRS 15. Except for rental and finance leasing, all contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## Disaggregation of revenue from contracts with customers

An analysis of revenue by types of goods and services as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers</b>		
Sale of wine and liquor	–	–
Trading of food products	464,803	399,541
Sale of mineral products	217,493	237,107
	<u>682,296</u>	<u>636,648</u>
Total revenue recognised at a point in time	<b><u>682,296</u></b>	<b><u>636,648</u></b>
<b>Revenue from other sources</b>		
Rental	231,852	271,664
Financial leasing	16,128	20,473
	<u>930,276</u>	<u>928,785</u>
	<b><u>930,276</u></b>	<b><u>928,785</u></b>
Time of revenue recognition		
At a point in time	682,296	636,648
Over time	–	–
	<u>682,296</u>	<u>636,648</u>
	<b><u>682,296</u></b>	<b><u>636,648</u></b>
Revenue from geographic market:		
The PRC	870,121	868,486
Hong Kong	60,155	60,299
	<u>930,276</u>	<u>928,785</u>
	<b><u>930,276</u></b>	<b><u>928,785</u></b>

## 5. OTHER INCOME, GAINS OR LOSSES

An analysis of other income, gains or losses is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income	2,087	2,232
Bank interest income	34	55
Government grants ( <i>Note</i> )	533	280
Fair value (loss)/gain on investment properties	(2,325)	9,866
Gain on disposal of right-of-use assets	–	3,401
Gain on disposal of an associate	–	123
Others	2,368	1,427
	<u>2,697</u>	<u>17,384</u>

*Note:*

Government grants were mainly granted to the Group as subsidies to support the operation of the PRC subsidiaries. There are no special conditions or contingencies that are needed to be fulfilled and they were non-recurring in nature.

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on bank and other borrowings		
– wholly repayable within five years	110,140	34,924
Interest expenses on lease liabilities	38,356	50,705
Effective interest expenses on convertible bonds	–	16,210
	<u>148,496</u>	<u>101,839</u>

## 7. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging (crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories recognised as an expenses	484,421	453,411
Depreciation of property, plant and equipment	12,449	11,764
Depreciation of right-of-use assets	152,474	140,821
Amortisation of other intangible assets	–	9,484
Expenses related to short term lease and low value assets	3,285	4,174
Gross rental income	(231,852)	(271,664)
Less: Direct operating expenses that generated rental income during the year	133,746	167,548
	<b>(98,106)</b>	<b>(104,116)</b>
Auditors' remuneration	1,400	1,400
Employee benefit expenses (including directors' emoluments):		
Wages and salaries	10,580	10,131
Equity-settled share-based payments	–	3,732
Pension scheme contributions	663	796
	<b>663</b>	<b>796</b>
Other expenses:		
Impairment loss on goodwill*	–	33,479
Impairment loss on right-of-use assets*	38,614	1,187
Impairment loss on property, plant and equipment*	289	–
	<b>289</b>	<b>–</b>

\* *Items included in other operating expenses*

## 8. TAXATION

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continued to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
– Hong Kong	600	790
– PRC Enterprise Income Tax	<u>50</u>	<u>5</u>
	650	795
Deferred tax	<u>(2,522)</u>	<u>6,365</u>
Total tax (credit)/expense for the year	<u><u>(1,872)</u></u>	<u><u>7,160</u></u>

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).



## 10. LOSS PER SHARE

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

### Loss

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share	<u>(218,450)</u>	<u>(170,916)</u>

### Number of Shares

	2022 '000	2021 '000
Weighted average number of ordinary shares for basic and diluted loss per share	<u>6,258,701</u>	<u>6,225,126</u>

The basic and diluted loss per share are the same for the year ended 31 December 2021 and 31 December 2022 as the effect of the Company's share options were anti-dilutive.

## 11. LOAN RECEIVABLES

An aged analysis of the loan receivables as at the end of the reporting period is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 30 days	7,063	7,752
31 to 60 days	26,413	33,181
61 to 90 days	26,574	46,770
91 to 180 days	59,299	89,659
181 to 365 days	82,772	93,725
Over 365 days	<u>101,763</u>	<u>135,590</u>
	303,884	406,677
Less: Allowance for expected credit losses (“ECL”)	<u>(104,526)</u>	<u>(116,506)</u>
	<u>199,358</u>	<u>290,171</u>

## 12. TRADE RECEIVABLES

Trade receivables are mainly arisen from sale of goods, and rental income derived from rental business.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	47,402	32,739
1 to 2 months	30,965	30,131
2 to 3 months	42,357	40,682
Over 3 months	<u>43,719</u>	<u>52,321</u>
	164,443	155,873
Less: Allowance for expected credit losses	<u>(18,876)</u>	<u>(19,184)</u>
	<u><u>145,567</u></u>	<u><u>136,689</u></u>

Included in the trade receivables consist of rental receivables. The aging analysis of the Group's rental receivables are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 30 days	<u><u>4,547</u></u>	<u><u>2,442</u></u>

### 13. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	5,579	9,342
1 to 2 months	4,583	19,772
2 to 3 months	2,761	8,834
Over 3 months	<u>72,417</u>	<u>72,523</u>
	85,340	110,471
Bills payables	<u>71,951</u>	<u>30,267</u>
	<u><b>157,291</b></u>	<u><b>140,738</b></u>

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2021: 30-day terms).

Included in trade payables are HK\$72,834,000 (2021: HK\$73,500,000) construction payables in which approximately HK\$66,105,000 (2021: HK\$70,988,000) are defaulted.

As at 31 December 2022, bills payables of approximately HK\$71,951,000 (2021: HK\$30,267,000) were secured by investment properties with fair value of approximately HK\$300,188,000 (2021: HK\$328,919,000) and personal guarantee by shareholder of the Company and related parties.

All the trade payables and bills payables are denominated in Renminbi.

## **EXTRACT FROM THE INDEPENDENT AUDITORS' REPORT**

The following is an extract of the independent auditors' report from HLB Hodgson Impey Cheng Limited (the "**Auditors**") on the Group's consolidated financial statements for the year ended 31 December 2022:

### **Disclaimer Opinion**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### ***Basis for Disclaimer of Opinion***

#### *Material uncertainties relating to the going concern basis*

As stated in Note 2.2 to the consolidated financial statements, as at 31 December 2022, the Group had defaulted in repayments of its debts, including: i) secured bonds of principal amount of HK\$109,000,000 and interests thereon of approximately HK\$78,969,000 (the "**Defaulted Secured Bonds**"); ii) unsecured bonds of principal amount of HK\$250,414,000 and interests thereon of approximately HK\$62,295,000 (the "**Default Unsecured Bonds**"); iii) other loans of principal amount of HK\$16,676,000 and interest thereon of approximately HK\$782,000 (the "**Defaulted Other loans**"); and iv) construction payables which, including additional penalties thereon, amounted to approximately HK\$95,997,000 (the "**Defaulted Construction Payables**"), in respect of which the Group had received a notice from the contractor of the event of default and demand for payment. In addition, the Group had outstanding bank and other borrowings other than the Defaulted Secured Bonds and Defaulted Unsecured Bonds of approximately HK\$63,954,000 as at 31 December 2022 which were due for repayment in the next twelve months after 31 December 2022 and incurred a loss for the year ended 31 December 2022 of approximately HK\$222,399,000. These events and conditions, along with other matters as set forth in Note 2.2, indicate that material uncertainties existed as at 31 December 2022 that cast significant doubts on the Group's ability to continue as a going concern.

The Directors have assessed the Group's ability to continue as a going concern and are undertaking measures to improve the Group's liquidity and financial position and enable the Group to meet its liabilities as and when they fall due. These plans for future actions in relation to the going concern assessment, which are set out in Note 2.2 to the consolidated financial statements, include: (i) management is endeavoring to improve the Group's operating results and cash flows through cost control measures and will focus on the existing business of the Group; (ii) the Group is negotiating with its secured, unsecured bondholders and other creditors to extend the repayment dates for the principal and interest amounts of the Defaulted Secured Bonds, the Defaulted Unsecured Bonds, the Defaulted Other Loans and the Defaulted Construction Payables; (iii) a substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of its operations in the twelve months from the date of approval of the consolidated financial statements; (iv) the Company is negotiating with investors with a view to obtain further financing including but not limited to equity financing, bank borrowings and issuance of new convertible bonds to improve the liquidity of the Group; and (v) the Company is in the process of the Scheme and Proposed Restructuring.

The validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the above mentioned plans and measures, which are inherently uncertain and as at the date of this announcement cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties, particularly in respect of whether the Scheme and Proposed Restructuring has completed.

Should the Group fail to achieve successful outcomes from the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying amounts of the Group's assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated net assets of the Group as at 31 December 2022 and the consolidated loss and other comprehensive expense and cash flows of the Group for the year ended 31 December 2022, and the related elements and disclosures thereof presented or disclosed in the consolidated financial statements.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Overview**

For the year ended 31 December 2022 (“**Year**”), the Group's revenue amounted to approximately HK\$930.28 million (2021: HK\$928.79 million), representing an increase of 0.16% over last year. Gross profit of the Group was approximately HK\$135.21 million (2021: HK\$161.08 million). The loss (net of tax) was approximately HK\$222.40 million (2021: loss (net of tax) was HK\$177.29 million). The loss (net of tax) was mainly attributable to the increase in finance costs.

The Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group's business both organically and through acquisitions when appropriate opportunities arise. The Group considered the business mix has been diversified during the past few years. The Group will focus on the existing businesses and will expand by self-development and investing in similar business. Investments would be carefully selected among all the choices we explored and would be operated with experienced business partners.

## **Segmental Information**

### ***Wine and Liquor Business***

The Group's wine and liquor business was principally engaged in the sale and distribution of wine and liquor in the PRC.

During the Year, there was no revenue generated from the wine and liquor business (2021: Nil) as our sale points and delivery services were interrupted and even temporarily suspended during the coronavirus outbreak. The Group will continue to review the development of this business segment.

### ***Trading of Food Products Business***

Trading of food products business recorded a revenue of approximately HK\$464.80 million (2021: HK\$399.54 million) and accounted for 49.96% (2021: 43.02%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$10.62 million (2021: HK\$9.13 million).

### ***Construction and Development Business***

Following the successful bid for the land use rights of a land parcel in Lianyungang, Jiangsu in PRC on 5 December 2017, the Group already obtained the Land Planning Permit and the Construction Planning Permit for the "Seafood Food City" during the year 2018. The commercial housing pre-sale permit of phase one of the Seafood Food City was also obtained and sales of the properties in that project started in the second half of 2019. However, the outbreak of novel coronavirus affected the sales plan and construction plan. It is expected that the whole construction of the Seafood Food City on the Land Parcel will be delayed to second half of 2023.

### ***Rental Business***

The rental business was engaged in the leasing of logistic facilities in Hong Kong and office facilities in the PRC. This business recorded a revenue of approximately HK\$231.85 million (2021: HK\$271.66 million) and accounted for 24.92% (2021: 29.25%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$81.59 million (2021: HK\$98.24 million). After few years of development, this segment becomes one of the core businesses of the Group. The Group has rental business in Beijing, Shanghai and Hong Kong and will keep on exploring and investing in potential renting facilities.

### ***Financial Leasing Business***

The financial leasing business recorded a revenue of HK\$16.13 million (2021: HK\$20.47 million) and accounted for 1.73% (2021: 2.20%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$12.96 million (2021: HK\$17.69 million).

### ***Mineral Products Business***

The mineral products business includes the flotation selection of non-ferrous metals mines and sales of mineral products. This business segment recorded a revenue of approximately HK\$217.49 million (2021: HK\$237.11 million) and accounted for 23.38% (2021: 25.53%) of the total revenue. The Group expects the market of this business will remain fine and the revenue contributed by this segment will represent a larger portion of the Group's revenue. Gross profit of this business segment for the Year was approximately HK\$30.04 million (2021: HK\$36.02 million).



## ***Business Co-operation***

- (i) On 7 September 2022, the Company entered into a strategic cooperation framework agreement (the “**Framework Agreement**”) with Xishuangbanna Jinggu Agricultural Development Co., Ltd.\* (西雙版納精谷農業開發有限公司), (“**Jinggu**”, together with the Company, the “**Parties**”) in respect of the proposed cooperation in the import and export businesses in Southeast Asia (the “**Strategic Cooperation**”). Details of the Framework Agreement were disclosed in the announcement of the Company dated 7 September 2022.
  
- (ii) On 11 October 2022, the Company and its wholly owned subsidiary, Shenzhen Meiming Wenshi Trading Ltd.\* (深圳市美名問世商貿有限公司) (“**Meiming Wenshi**”), entered into a purchase cooperation framework agreement (the “**Framework Agreement**”) with Shenzhen City Huilin Soybean Technology Co., Ltd.\* (深圳市匯林大豆技術有限公司), (“**Huilin**”, together with the Company and Meiming Wenshi, the “**Parties**”) in respect of the proposed cooperation in the purchase of commodities, including but not limited to, oil, soybean, sugar, etc. by the Huilin from the Group (the “**Cooperation**”). Details of the Framework Agreement were disclosed in the announcement of the Company dated 11 October 2022.

## **Financial Review**

### ***Revenue***

The Group achieved a revenue of approximately HK\$930.28 million (2021: HK\$928.79 million), representing an increase of 0.16% over last year. Gross profit of the Group was approximately HK\$135.21 million (2021: HK\$161.08 million). The loss (net of tax) was HK\$222.40 million (2021: loss (net of tax) was HK\$177.29 million).

### ***Selling and Distribution Expenses***

Selling and distribution expenses were approximately HK\$22.92 million (2021: HK\$23.72 million), representing a decrease of 3.37% from last year and 2.46% (2021: 2.55%) of the Group’s revenue. It was relatively the same as last year.

\* For identification purposes only

### ***Administrative Expenses***

Administrative expenses were approximately HK\$92.20 million (2021: HK\$108.47 million), representing a decrease of 15.00% from last year and 9.91% (2021: 11.68%) of the Group's revenue. The decrease was mainly due to equity-share based payment in 2021.

### ***Finance Costs***

Finance costs were approximately HK\$148.50 million (2021: HK\$101.84 million), representing an increase of 45.81% from last year and 15.96% (2021: 10.96%) of the Group's revenue.

### ***Prepayments, Deposits and Other Receivables***

Included in prepayments, deposits and other receivables, there were trade deposits of HK\$244.67 million (2021: HK\$320.70 million) paid for food products and mineral products. There were no progress payments for the investment targets (2021: HK\$24.61 million). HK\$28.30 million (2021: HK\$42.98 million) was paid as rental deposit for the rental business.

### ***Capital Structure, Liquidity and Financial Resources***

As at 31 December 2022, the total number of issued shares of the Company was 6,313,366,083 shares. 88,240,400 shares options were exercised during the Year and as a result of which 88,240,400 shares were issued.

As at 31 December 2022, the Group had net assets to owners of the parent of approximately HK\$801.81 million (2021: HK\$1,128.68 million). Net current assets of the Group as at 31 December 2022 amounted to approximately HK\$161.20 million (2021: HK\$219.54 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.15 (2021: 1.18).

The Group's cash and cash equivalents as at 31 December 2022 amounted to approximately HK\$14.88 million (2021: HK\$27.43 million), which were denominated in Hong Kong dollars and Renminbi.

As at 31 December 2022, the Group's total bank and other borrowings amounted to approximately HK\$440.04 million (2021: HK\$521.00 million). All of the Group's bank and other borrowings were denominated in Renminbi and Hong Kong dollars. Included in bank and other borrowings was default payment for other borrowing of approximately HK\$317.28 million (2021: HK\$236.1 million). The Company keeps negotiating with creditors of other borrowings for extension of repayment period.

The bank loans, other borrowings and amounts due to related parties are charged at fixed interest rates. The gearing ratio of the Group as at 31 December 2022 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 53.44% (31 December 2021: 46.16%). The ratio was at reasonably adequate level as at 31 December 2022. Having considered the Group's various measures, arrangements and current unpledged cash and cash equivalents, bank and other borrowings, banking facilities, possible fund raising and the business operation income, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Year.

The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net assets value as the Group's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

## ***Charge on Assets and Contingent Liabilities***

As at 31 December 2022, investment properties with fair value of approximately HK\$300.19 million (2021: HK\$328.92 million) and personal guarantee by shareholder of the Company and related parties were secured to banks to secure the Group's bank borrowings and bills payable.

The shares of two subsidiaries of the Company with net assets of HK\$26.39 million (2021: HK\$30.61 million) as at 31 December 2022 were pledged for a secured bond since August 2017. As the secured bond was matured, the bondholder has the right to take over the control of the two subsidiaries. The Company is in negotiation with the bondholder for extension of repayment of the bond and as at the date of this announcement, the two subsidiaries are still under the control of the Company.

## **Litigations**

### ***(i) HCA 1867 of 2015***

On 18 August 2015, the Company received a writ of summons issued from the High Court of Hong Kong (the “**Writ**”) relating to a claim by Mr. Qu Shuncaï (“**Mr. Qu**”), a former Director of the Company. Pursuant to the Writ, Mr. Qu claims against the Company for the sum of HK\$6,069,000 being damages for the Company's wrongful refusal of the issue of 2,500,000 shares of the Company to him upon his exercise of the share options. The trial was heard before Judge from 8 December 2022 to 14 December 2022, and on 10 February 2023, it was adjudicated by the Court that the Company shall pay damages to the Plaintiff, assessed at HK\$4,394,000, and costs. The Company has decided to appeal against the said judgment, and thus the Company filed a Notice of Appeal on 6 March 2023.

**(ii) HCA 1948 of 2019**

On 24 October 2019, the Company received a writ of summons (under HCA 1948 of 2019) issued on behalf of Gemini Funds Limited for an order to direct the Company to deliver up the share certificate of 5,000,000 (Bonus) Shares issued in January 2016 and damages to be assessed. The said Gemini Funds Limited has also taken out an application for summary judgment against the Company returnable before a Master of the High Court on 9 April 2020. The legal representative of the Company filed an Acknowledgment of Service on 6 November 2019, and the Company has filed a notice to the Court to oppose the application by the said Plaintiff to enter judgment against the Company. The hearing was heard before a Judge on 21 January 2021 and pursuant to the Judgement, the Company delivered up the said share certificate to the Plaintiff on 24 March 2021. At the same time, the Company filed a Notice to Appeal on 18 February 2021.

**(iii) HCMP 1296 of 2021**

On 7 September 2021, the legal representatives of the Company filed a Notice of Originating Summons to the High Court (under HCMP 1296 of 2021) to apply to the Court to dispute a Statutory Demand dated 12 August 2021 issued on behalf of Madam LIN TONG (林彤) for the sum of HK\$4,747,254.03. The case has been adjourned sine die.

On the same subject matter, Madam LIN TONG (林彤) (“**Madam Lin**”) through her legal representatives in Cayman Islands issued a Statutory Demand on 28 October 2021 to the Company’s registered address in the Cayman Islands. Then on 13 December 2021, a winding up petition was issued out of the Grand Court of the Cayman Islands and returnable on 3 March 2022, under which the said LIN TONG petitioned to wind up the Company unless the amount HK4,942,814.80 was paid. The Company then settled the matter with the petitioner (Madam Lin), and the winding up petition had been withdrawn by the consent of the parties on or about 3 March 2022.

*(iv) HCCW 115 of 2022*

On 25 April 2022, the Company received a petition (“**Madam Yan’s Petition**”) filed by Ms. Yan Huijuan (“**Madam Yan**”) for an order that the Company may be wound up by the High Court pursuant to the Ordinance. Madam Yan’s Petition was filed against the Company for being unable to repay a debt of amount HK\$5,251,773.03. Details of Madam Yan’s Petition were disclosed in the announcement of the Company dated 25 April 2022. Madam Yan’s Petition was heard before a Judge on 12 December 2022 and the matter was finally settled with the said Petition (Madam Yan’s Petition) formally dismissed.

*(v) (2021) Su 0707 Caibao No. 139, (2021) Su 0707 Minchu No. 7708, (2021) Su 07 Minzhong No. 1478 and (2022) Su 0706 Minchu No. 4506*

On 31 August 2020, the Company’s subsidiary, Lianyungang Huajin Huahong Industrial Co., Ltd. (連雲港華金華鴻實業有限公司) (“**Huajin Huahong**”) received a civil ruling (民事裁定書) issued on behalf of Jiangsu Pinpai Real Estate Co., Ltd. (江蘇品派置業有限公司) (“**Pinpai**”) under (2021) Su 0707 Caibao No. 139 ((2021)蘇0707財保139號). According to the civil ruling (民事裁定書), Pinpai being the plaintiff, requested to freeze the bank accounts of Huajin Huahong. In addition, according to the civil judgment (民事判決書) under (2021) Su 0707 Minchu No. 7708 ((2021)蘇0707民初7708號), the court ordered Huajin Huahong to pay RMB1,556,545.50 as service provider of advertising and promotion, and e-commerce; and commission together with the interest thereon to Pinpai. Huajin Huahong appealed to the Lianyungang Intermediate Court for retrial under (2021) Su 07 Minzhong No. 1478 ((2021)蘇07民終1478號). According to the civil mediation (民事調解書) under (2022) Su 0706 Minchu No. 4506 ((2022)蘇0706民初4506號) on 22 August 2022, the parties agreed reached a full and final settlement by paying RMB1,300,000 by Huajin Huahong to Pinpai.

**(vi) (2022) Su 0706 Minchu No.4506**

On 22 August 2022, the Company's subsidiary, Lianyungang Huajin Huahong Industrial Co., Ltd (連雲港華金華鴻實業有限公司) received a civil judgement (民事裁定書) issued on behalf of Wang Pengcheng (王鵬程) (“**Wang**”) under (2022) Su 0706 Minchu No.4506 ((2022)蘇0706民初4506號). According to the civil judgement (民事裁定書), Wang being the plaintiff, request the repayment on the loan principle in RMB5,000,000 and interest in 2% per month. Jiangsu Province Lianyungang Shi Haizhiu Qu Intermediate Court judged Lianyungang Huajin Huahong Industrial Co., Ltd (連雲港華金華鴻實業有限公司) had to repayment the loan principle in RMB5,000,000 and interest in four times for the Prime rate of National Interbank Funding Center authorized by People's Bank of China.

**(vii) (2021) Yue 0304 Minchu No. 13651, (2021) Yue 03 Minzhong No. 23004 and (2022) Yue Minshen No. 4179**

On 26 May 2021, the Company's subsidiary, Shenzhen Beidahuang Green Food Distribution Ltd. (“**Green Food**”) (深圳北大荒綠色食品配送有限公司) received a civil judgment (民事判決書) issued on behalf of Shenzhen Zhongdun United Investment Technology Co., Ltd. (深圳中盾聯投科技有限公司) (“**Zhongdun**”) under (2021) Yue 0304 Minchu No. 13651 ((2021)粵0304民初13651號). According to the civil judgment (民事判決書), Zhongdun being the plaintiff, requested to (i) cancellation of contract no. 20200403-002 “Rice Sales Contract”; (ii) return the contract deposit of RMB3,400,000 to Zhongdun; (iii) pay the interest of the above deposit of RMB3,400,000; and (iv) bear all litigation costs. The case has been appealed to the Shenzhen Intermediate People's Court of Guangdong Province and on 25 October 2021, Green Food received a civil judgment under (2021) Yue 03 Minzhong No. 23004 ((2021)粵03民終23004號). According to the civil judgment, (a) the issue in (i) above being upheld; (b) the issue in (iii) above being cancelled; (c) referring to the issue in (ii) above, Green Food has to return RMB760,000 together with interest to Zhongdun; and (d) reject the issue in (iv) above. Green Food has applied to the Higher People's Court of Guangdong Province for retrial on 8 April 2022 under (2022) Yue Minshen No. 4179 ((2022) 粵民申4179號) but the appeal was dismissed by the Higher People's Court of Guangdong Province on 12 July 2022.

***(viii) HCCW 3 of 2023***

On 9 January 2023, the Company received a petition (“**Mr. Zhang’s Petition**”) filed by Mr. Zhang Zhiguang (“**Mr. Zhang**”) for an order that the Company may be wound up by the High Court under the Ordinance pursuant to a Statutory Demand (for being unable to repay a debt of an amount of HK\$7,197,841.10). Details of Mr. Zhang’s Petition were disclosed in the announcement of the Company dated 10 January 2023. Mr. Zhang’s Petition was heard before Master on 15 March 2023 and was adjourned to 5 July 2023.

**Employees and Remuneration Policy**

As at 31 December 2022, the Group had approximately 167 (2021: 178) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK\$109.27 million (2021: HK\$109.27 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted the share option scheme aiming to provide incentives to participants for their contributions to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

**FINAL DIVIDEND**

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

**COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with all code provisions set out in Part 2 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the year ended 31 December 2022, except the deviations disclosed below.



1. Under code provision C.1.4 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. The Company did not receive the training record for the year ended 31 December 2022 from Mr. Li Jiehong, Mr. Zeng Jixiang and Mr. Yu Zicong, all of them resigned on 28 January 2022.
2. Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company did not officially have a position of chief executive officer since 24 June 2016. The Chairman of the Board provides leadership to the Board to ensure that the Board works effectively and all important issues were discussed and dealt with in a timely manner. During the period from 1 January 2022 to 27 January 2022, Mr. Li Jiehong was the Chairman of the Board. Mr. Jiang Jianjun and Mr. Zhao Wanjiang were appointed as the Chairman and the Vice-chairman of the Board respectively with effect from 28 January 2022. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a chief executive officer, are necessary.
3. Under code provision C.5.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Year, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and make expeditious decisions in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by the Directors. The Board will do its endeavours to meet the requirement of this code provision in future.
4. Under code provision F.1.1 of the CG Code, the issuer should have a policy on payment of dividends and should disclose it in the annual report. As the Company is still in its development phase and the performance will continue to be impacted by the relevant industry and economic outlook in the foreseeable future, the Board is of the opinion that it is not appropriate to adopt a dividend policy at this stage. The Board will review the Company's status periodically and consider to adopt a dividend policy if and when appropriate.
5. Under code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Jiang Jianjun, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 27 June 2022 in person due to government measures on travel restrictions caused by COVID-19 outbreak.

## REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2022 have been reviewed by the audit committee of the Company.

## SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in this preliminary announcement of the Group's result have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by HLB in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB on the preliminary results announcement.

## EVENTS AFTER THE REPORTING PERIOD

### Possible Debt Restructuring

The Company is in light of the current liquidity constraints and financial challenges of the Company, including the Petition dated on 10 January 2023, 27 January 2023 and 15 March 2023, the Company has been working closely with its professional advisers and is using its best endeavours to explore various options available for restructuring the Company's debts (the "**Proposed Restructuring**"), including but not limited to the restructuring of debts by engaging with its creditors, other stakeholders and potential investors and by way of a scheme of arrangement in Hong Kong (the "**Scheme**"). The Company will strive to engage in dialogues with creditors of the Company (the "**Creditors**") in order to facilitate the implementation of a value preserving solution with all relevant stakeholders.

The Company announced that the convening hearing in respect of the Scheme, at which an order will be sought to convene the scheme meeting for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme, is scheduled to be heard before the High Court on 16 June 2023 (Hong Kong time).

## **Entering Agreement with Investor for Proposed Restructuring**

On 29 March 2023, the Company and the investor which is independent third party entered into the legally binding term sheet in connection with a Proposed Restructuring.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.irasia.com/listco/hk/chinabeidahuang>). The annual report of the Company for the year ended 31 December 2022 containing all the information as required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**China Beidahuang Industry Group Holdings Limited**  
**Jiang Jianjun**  
*Chairman*

Hong Kong, 31 March 2023

*As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun (Chairman), Mr. Ke Xionghan and Mr. Chen Chen; the Non-executive Directors are Mr. Zhao Wanjiang (Vice-chairman), Ms. Ho Wing Yan and Mr. Li Dawei; and the Independent Non-executive Directors are Mr. Chong Cha Hwa, Mr. Yang Yunguang and Mr. Chen Zhifeng.*