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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Beidahuang Industry Group Holdings Limited (the “**Company**”) announces the unaudited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 together with the comparative figures for 2020 as follows:

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

*Year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <b>(Audited)</b>
Revenue	4	<b>928,785</b>	859,095
Cost of sales		<b>(767,708)</b>	(715,424)
Gross profit		<b>161,077</b>	143,671
Other income, gains or losses	5	<b>17,384</b>	10,935
Selling and distribution expenses		<b>(23,719)</b>	(19,861)
Administrative expenses		<b>(104,735)</b>	(85,046)
Profit from operation		<b>50,007</b>	49,699
Net allowance of expected credit loss		<b>(50,463)</b>	61,000
Other operating expense		<b>(34,666)</b>	(1,574)
Finance costs	6	<b>(101,839)</b>	(103,048)
Share of (loss)/profit of associates		<b>(29,437)</b>	1,960
Loss on disposal of subsidiaries		<b>–</b>	(356)
(Loss)/profit before taxation	7	<b>(166,398)</b>	7,681
Taxation	8	<b>(7,160)</b>	(2,224)

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <i>(Audited)</i>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(173,558)</b>	5,457
Other comprehensive (expense)/income Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		–	(68)
Exchange differences arising on translation of foreign operations and associates		<u>11,242</u>	<u>41,480</u>
Total comprehensive (expense)/income for the year		<u><b>(162,316)</b></u>	<u>46,869</u>
(Loss)/profit attributable to:			
Owners of the Company		<b>(167,184)</b>	14,778
Non-controlling interests		<u><b>(6,374)</b></u>	<u>(9,321)</u>
		<u><b>(173,558)</b></u>	<u>5,457</u>
Total comprehensive (expense)/income attributable to:			
Owners of the Company		<b>(156,519)</b>	55,134
Non-controlling interests		<u><b>(5,797)</b></u>	<u>(8,265)</u>
		<u><b>(162,316)</b></u>	<u>46,869</u>
<b>(LOSS)/EARNINGS PER SHARE</b>	<i>10</i>		
– Basic and diluted ( <i>in HK cents</i> )		<u><b>(2.69)</b></u>	<u>0.24</u>

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>57,697</b>	63,394
Investment properties		<b>454,913</b>	426,959
Right-of-use assets		<b>667,407</b>	783,552
Rental deposits paid		<b>4,298</b>	3,849
Goodwill		<b>4,032</b>	36,751
Other intangible assets		–	9,315
Interests in associates		<b>284,605</b>	287,194
		<b>1,472,952</b>	1,611,014
<b>CURRENT ASSETS</b>			
Inventories		<b>97,000</b>	66,560
Properties for sale		<b>411,934</b>	287,046
Trade receivables	<i>12</i>	<b>136,689</b>	107,961
Loan receivables	<i>11</i>	<b>290,171</b>	354,125
Prepayments, deposits and other receivables		<b>443,872</b>	522,852
Pledged deposits		–	18,857
Cash and cash equivalents		<b>27,433</b>	26,115
		<b>1,407,099</b>	1,383,516
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	<i>13</i>	<b>69,750</b>	105,668
Other payables and accruals		<b>218,974</b>	84,214
Contract liabilities		<b>209,222</b>	181,485
Bank and other borrowings		<b>520,999</b>	393,024
Amounts due to related parties		<b>14,940</b>	3,678
Tax payable		<b>8,825</b>	8,936
Lease liabilities		<b>144,853</b>	127,806
Convertible bonds		–	108,222
		<b>1,187,563</b>	1,013,033

	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>NET CURRENT ASSETS</b>	<u><b>219,536</b></u>	<u>370,483</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><b>1,692,488</b></u>	<u>1,981,497</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	<b>29,380</b>	22,711
Lease liabilities	<u><b>558,712</b></u>	<u>688,113</u>
Total non-current liabilities	<u><b>588,092</b></u>	<u>710,824</u>
Net assets	<u><b>1,104,396</b></u>	<u>1,270,673</u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	<b>622,513</b>	622,513
Reserves	<u><b>506,167</b></u>	<u>662,686</u>
	<b>1,128,680</b>	1,285,199
<b>Non-controlling interests</b>	<u><b>(24,284)</b></u>	<u>(14,526)</u>
Total equity	<u><b>1,104,396</b></u>	<u>1,270,673</u>

# NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2021

## 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 2021, the Group had default payments included: i) default secured bond of approximately HK\$108,500,000 to secured bondholder with interest of approximately HK\$32,650,000 (the “**Default Secured Bond**”); ii) default unsecured bonds HK\$127,600,000 to the unsecured bondholders with interest of approximately HK\$14,982,000 (the “**Default Unsecured Bond**”); iii) the Group received a notice from a constructor of the event of default for demanding the construction payment and additional penalty of approximately HK\$101,814,000 (the “**Default Construction**”). In addition, the Group had outstanding bank and other borrowings of approximately HK\$284,899,000 which were due for repayment or renewal in the next twelve months after 31 December 2021.

However, the Group’s cash and cash equivalents of approximately HK\$27,433,000 and the financial resources available to the Group as at 31 December 2021 may not be sufficient to repay the Default Secured Bond, the Default Unsecured Bond and the Default Construction. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

#### 1) *Existing business*

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

#### 2) *Negotiating with creditors’ new terms of other borrowings*

The Group is negotiating with secured bondholder to extend the Default Secured Bond and with unsecured bondholders to extend the Default Unsecured Bond. In the opinion of the Directors, the Default Secured Bond and the Default Unsecured Bond will not be recalled until agreeing the new terms by the Group and the secured bondholder and the unsecured bondholders.

**3) *Disposal of non-financial assets or properties for sale***

The Group may consider to dispose non-financial assets or properties for sale if required.

**4) *Financial support***

A substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Company 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 consolidated financial statement.

**5) *New funding***

The Company has actively negotiated with investors for obtaining 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.

**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 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the HKFRS Interpretations Committee (the “Committee”) of HKICPA-issued on June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>4</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 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Costs to fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018-2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>2</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 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 April 2021.

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

### 3. OPERATING SEGMENT INFORMATION

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 management 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)/profit before taxation except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, 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 a group basis.

	Wine and liquor HK\$'000 (Unaudited)	Trading of food products HK\$'000 (Unaudited)	Construction and development HK\$'000 (Unaudited)	Rental HK\$'000 (Unaudited)	Financial leasing HK\$'000 (Unaudited)	Mineral products HK\$'000 (Unaudited)	Unallocated HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<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								(10,275)
Finance costs								(101,839)
Loss before taxation								(166,398)
Taxation								(7,160)
Loss for the year								(173,558)
<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	-	-	-	-	-	-	(29,437)	(29,437)
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.*

	Wine and liquor HK\$'000 (Audited)	Trading of food products HK\$'000 (Audited)	Construction and development HK\$'000 (Audited)	Rental HK\$'000 (Audited)	Financial leasing HK\$'000 (Audited)	Mineral products HK\$'000 (Audited)	Unallocated HK\$'000 (Audited)	Total HK\$'000 (Audited)
Year ended 31 December 2020								
<b>Segment revenue:</b>								
Sales to external customers	645	432,223	–	256,876	13,841	155,510	–	859,095
<b>Revenue from contracts with customers</b>								
Timing of revenue recognition								
At a point in time	645	432,223	–	–	–	155,510	–	588,378
Revenue from other sources	–	–	–	256,876	13,841	–	–	270,717
Other gains or (losses)	–	1,651	–	4,302	2,057	545	–	8,555
Other operating income/(expenses)	–	(994)	12	(25)	69,219	(8,566)	–	59,646
	<u>645</u>	<u>432,880</u>	<u>12</u>	<u>261,153</u>	<u>85,117</u>	<u>147,489</u>	<u>–</u>	<u>927,296</u>
<b>Segment results</b>	(487)	3,851	12	12,613	74,154	27,049	–	117,192
<i>Reconciliation:</i>								
Bank interest income								577
Unallocated other operating income or loss								3,763
Corporate and other unallocated expenses								(10,447)
Finance costs								(103,048)
Loss on disposal of subsidiaries								(356)
Profit before taxation								7,681
Taxation								(2,224)
Profit for the year								<u>5,457</u>
<b>Segment assets</b>								
	99,498	401,154	342,106	1,207,050	356,019	308,325	–	2,714,152
<i>Reconciliation:</i>								
Elimination of intersegment receivables								(961,426)
Corporate and other unallocated assets								1,241,804
Total assets								<u>2,994,530</u>
<b>Segment liabilities</b>								
	36,432	323,351	116,387	921,935	113,036	80,280	–	1,591,421
<i>Reconciliation:</i>								
Elimination of intersegment payables								(961,426)
Corporate and other unallocated liabilities								1,093,862
Total liabilities								<u>1,723,857</u>
<b>Other segment information</b>								
Share of profit of associates	–	–	–	–	–	–	1,960	1,960
Loss on disposal of subsidiaries	–	–	–	–	–	–	(356)	(356)
Net allowance for expected credit losses reversal on trade receivables	–	–	–	172	–	3,456	–	3,628
Net allowance for expected credit losses reversal on other receivables	–	(994)	12	(197)	67,450	(12,022)	2,327	56,576
Net allowance for expected credit losses (recognised)/reversal on loan receivables	–	–	–	–	1,769	–	(973)	796
Impairment loss on intangible assets	–	–	–	–	–	–	(1,574)	(1,574)
Depreciation and amortisation	(1,768)	(531)	(64)	(160,761)	(364)	(2,866)	(617)	(166,971)
Interests in associates	–	–	–	–	–	–	287,194	287,194
Capital expenditure*	–	–	–	4	2,085	492	–	2,581
Fair value loss on disposal of financial assets at fair value through profit or loss	–	–	–	–	–	–	(122)	(122)
Fair value gain on investment properties	–	–	–	4,804	–	–	–	4,804

\* *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

During the year, there are two (2020: one) external customers related to trading of food products segment that contributed revenue of approximately HK\$200,207,000 that accounted for more than 10% of the Group's total revenue (2020: HK\$203,277,000).

## 4. REVENUE

The Group's revenue generated from wine and liquor, trading of food products, rental, financial leasing 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:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Revenue from contracts with customers</b>		
Wine and liquor	–	645
Trading of food products	399,541	432,223
Mineral products	237,107	155,510
	<hr/>	<hr/>
Total revenue recognised at a point in time	636,648	588,378
<b>Revenue from other sources</b>		
Rental	271,664	256,876
Financial leasing	20,473	13,841
	<hr/>	<hr/>
	928,785	859,095
	<hr/> <hr/>	<hr/> <hr/>
Time of revenue recognition		
At a point in time	636,648	588,378
Over time	–	–
	<hr/>	<hr/>
	636,648	588,378
	<hr/> <hr/>	<hr/> <hr/>
Geographic market:		
The PRC	868,486	798,287
Hong Kong	60,299	60,808
	<hr/>	<hr/>
	928,785	859,095
	<hr/> <hr/>	<hr/> <hr/>

## 5. OTHER INCOME, GAINS OR LOSSES

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest income	2,232	2,002
Bank interest income	55	577
Government grants ( <i>Note</i> )	280	1,007
Fair value gain on investment properties	9,866	4,804
Gain on disposal of right-of-use assets	3,401	207
Loss on disposal of financial assets at fair value through profit or loss	–	(122)
Others	1,550	2,460
	<u>17,384</u>	<u>10,935</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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest expenses on bank and other borrowings – wholly repayable within five years	34,924	47,165
Interest expenses on lease liabilities	50,705	53,272
Effective interest expenses on convertible bonds	16,210	2,611
	<u>101,839</u>	<u>103,048</u>

## 7. (LOSS)/PROFIT BEFORE TAXATION

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Cost of inventories recognised as an expenses	453,411	456,715
Depreciation of property, plant and equipment	11,764	13,222
Depreciation of right-of-use assets	140,821	143,113
Amortisation of other intangible assets	9,484	10,636
Expenses related to short term lease and low value assets	4,174	5,027
Gross rental income	(271,664)	(256,876)
<i>Less: Direct operating expenses that generated rental income during the year</i>	<b>167,548</b>	<b>166,593</b>
	<b>(104,116)</b>	<b>(90,283)</b>
Auditors' remuneration	1,400	1,250
Employee benefit expenses (including directors' emoluments):		
Wages and salaries	10,131	9,268
Pension scheme contributions	<u>796</u>	<u>467</u>
Other expenses:		
Loss on disposal of financial assets at fair value through profit or loss	–	122
Impairment loss on goodwill*	33,479	–
Impairment loss on intangible assets*	–	1,574
Impairment loss on right-of-use assets*	<u>1,187</u>	<u>–</u>

\* *Items included in other operating expenses*

## 8. TAXATION

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the Company and the subsidiaries is 25% (2020: 25%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Current tax:		
– Hong Kong	790	763
– PRC Enterprise Income Tax	<u>5</u>	<u>6,049</u>
	795	6,812
Deferred tax	<u>6,365</u>	<u>(4,588)</u>
Total tax expense for the year	<u><u>7,160</u></u>	<u><u>2,224</u></u>

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

## 10. (LOSS)/EARNINGS PER SHARE

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

### (Loss)/earnings

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
(Loss)/earnings for the purpose of basic (loss)/earnings per share	(167,184)	14,778
Effects of dilutive potential ordinary shares:		
Effective interest expenses on convertible bonds, net of tax	—	2,534
(Loss)/earnings for the purpose of diluted (loss)/earnings per share	<u>(167,184)</u>	<u>17,312</u>

### Number of Shares

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Weighted average number of ordinary shares for basic (loss)/earnings per share	6,225,126	6,225,126
Effects of dilutive potential ordinary shares:		
Convertible bonds	—	1,111,000
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>6,225,126</u>	<u>7,336,126</u>

The diluted earnings per share for the year ended 31 December 2020 was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, and the profits for the year ended 31 December 2020 was adjusted to reflect the effective interest expense on convertible bonds less deferred tax effect, if any. The basic and diluted loss per share are the same for the year ended 31 December 2021 as there were no potential dilutive ordinary shares exist.

## 11. LOAN RECEIVABLES

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

	<b>2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
0 – 30 days	7,752	2,599
31 to 60 days	33,181	31,777
61 to 90 days	46,770	36,492
91 to 180 days	89,659	85,579
181 to 365 days	93,725	98,615
Over 365 days	<u>135,590</u>	<u>122,186</u>
	<b>406,677</b>	377,248
<i>Less: Allowance for expected credit losses</i>	<u><b>(116,506)</b></u>	<u>(23,123)</u>
	<u><b>290,171</b></u>	<u><b>354,125</b></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:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 1 month	32,739	15,293
1 to 2 months	30,131	22,040
2 to 3 months	40,682	33,698
Over 3 months	<u>52,321</u>	<u>55,240</u>
	155,873	126,271
<i>Less: Allowance for expected credit losses</i>	<u>(19,184)</u>	<u>(18,310)</u>
	<u><b>136,689</b></u>	<u><b>107,961</b></u>

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

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Up to 30 days	<u><b>2,442</b></u>	<u><b>3,604</b></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:

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Within 1 month	9,342	7,608
1 to 2 months	19,772	10,483
2 to 3 months	7,846	4,945
Over 3 months	<u>2,523</u>	<u>1,464</u>
	<b>39,483</b>	24,500
Bills payable	<u>30,267</u>	<u>81,168</u>
	<b><u>69,750</u></b>	<b><u>105,668</u></b>

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2020: 30-day terms).

As at 31 December 2020, bills payable of approximately HK\$81,168,000 were secured by the pledged deposits of the Group.

As at 31 December 2021, bills payable of approximately HK\$30,267,000 were secured by investment properties with fair value of approximately HK\$328,919,000 and personal guarantee by shareholder of the Company and related parties.

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

## GOING CONCERN BASIS

As at 31 December 2021, the Group had default payments included: i) default secured bond of approximately HK\$108,500,000 to secured bondholder with interest of approximately HK\$32,650,000 (the “**Default Secured Bond**”); ii) default unsecured bonds HK\$127,600,000 to the unsecured bondholders with interest of approximately HK\$14,982,000 (the “**Default Unsecured Bond**”); iii) the Group received a notice from a constructor of the event of default for demanding the construction payment and additional penalty of approximately HK\$101,814,000 (the “**Default Construction**”). In addition, the Group had outstanding bank and other borrowings of approximately HK\$284,899,000 which were due for repayment or renewal in the next twelve months after 31 December 2021.

However, the Group’s cash and cash equivalents of approximately HK\$27,433,000 and the financial resources available to the Group as at 31 December 2021 may not be sufficient to repay the Default Secured Bond, the Default Unsecured Bond and the Default Construction. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

### **1) Existing business**

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

### **2) Negotiating with creditors’ new terms of other borrowings**

The Group is negotiating with secured bondholders to extend the Default Secured Bond and with unsecured bondholders to extend the Default Unsecured Bond. In the opinion of the Directors, the Default Secured Bond and the Default Unsecured Bond will not be recalled until agreeing the new terms by the Group and the secured bondholder and the unsecured bondholders.

### **3) Disposal of non-financial assets or properties for sale**

The Group may consider to dispose non-financial assets or properties for sale if required.

#### **4) *Financial support***

A substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Company 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 consolidated financial statement.

#### **5) *New funding***

The Company has actively negotiated with investors for obtaining 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.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Overview

For the year ended 31 December 2021 (“Year”), the Group’s revenue amounted to approximately HK\$928.79 million (2020: HK\$859.10 million), representing an increase of 8.11% over last year. Gross profit of the Group was approximately HK\$161.08 million (2020: HK\$143.67 million). The loss (net of tax) was approximately HK\$173.56 million (2020: profit (net of tax) was HK\$5.46 million). The change from net profit to net loss was mainly attributable to the combined effect of increase in revenue which lead to increase in gross profit, increase in provision for additional penalty relating to default construction payment included in administrative expense, increase in fair value gain on investment properties, increase in net allowance of expected credit loss, increase in impairment loss on goodwill, increase in share of loss of associates and increase in taxation. Loss per share for the Year was HK2.69 cents (2020: Earnings per share was HK0.24 cents).

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 (2020: HK\$0.65 million) as our sale points and delivery services were interrupted and even temporarily suspended during the coronavirus outbreak. Since the duration of the coronavirus outbreak remains uncertain, 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\$399.54 million (2020: HK\$432.22 million) and accounted for 43.02% (2020: 50.31%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$9.13 million (2020: HK\$5.70 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 2022.

### ***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\$271.66 million (2020: HK\$256.88 million) and accounted for 29.25% (2020: 29.90%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$98.24 million (2020: HK\$94.87 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\$20.47 million (2020: HK\$13.84 million) and accounted for 2.20% (2020: 1.61%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$17.69 million (2020: HK\$12.16 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\$237.11 million (2020: HK\$155.51 million) and accounted for 25.53% (2020: 18.10%) 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\$36.02 million (2020: HK\$30.94 million).

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

- (i) On 24 February 2021, the Company entered into a strategic cooperation agreement (the “**Cooperation Agreement**”) with Yueyang Guansheng Industry Development Co., Ltd.\* (岳陽觀盛投資發展有限公司) (“**Yueyang Guansheng**”, together with the Company, the “**Parties**”) in respect of the proposed global procurement of feed ingredients (the “**Strategic Cooperation**”).

According to the Cooperation Agreement, the Parties agreed to cooperate closely in respect of the global procurement of (i) non-genetically modified soybeans and (ii) both genetically modified and non-genetically modified yellow corn. The term of the Cooperation Agreement commenced on 1 March 2021 and will end on 31 December 2022. The implementation of the Strategic Cooperation between the Parties is subject to the execution of formal sales and purchase contract(s). Details of the Cooperation Agreement were disclosed in the announcement of the Company dated 24 February 2021.

- (ii) On 27 May 2021, the Company entered into a strategic cooperation framework agreement (the “**Framework Agreement**”) with Yishikangte Health Management Co., Ltd.\* (頤詩康特健康管理有限公司) (“**Yishikangte**”, together with the Company, the “**Parties**”) in respect of the proposed establishment of an e-commerce platform (the “**Platform**”) for the sale of food products and wine and liquor through the Platform (the “**Strategic Cooperation**”).

\* For identification purposes only

According to the Framework Agreement, the Parties shall utilise their respective advantages and cooperate based on the concept of industry and capital integrated development. The Parties agreed to cooperate in the following area:

- jointly establish a limited liability company in Shenzhen, PRC with a registered capital of RMB10 million, to act as the project entity for the Strategic Cooperation (the “**Project Company**”). The shareholding ratio of the Company and Yishikangte in the Project Company shall be 60% and 40%, respectively;
- Yishikangte shall be responsible for the development of the Platform for the Project Company and the organisation of online and offline sales team, with a view to achieve an annual sales amount of RMB4 billion through the Platform.
- the Company shall supply products such as Wuchang rice, aged and collectible liquor for sales on the Platform, and the actual products shall be agreed by the Parties separately; and
- the products to be supplied by the Company may be changed at any time based on sales and market conditions, and the products can be selected or customised through mutual negotiation between the Parties.

Details of the Framework Agreement were disclosed in the announcement of the Company dated 27 May 2021.

## **Financial Review**

### ***Revenue***

The Group achieved a revenue of approximately HK\$928.79 million (2020: HK\$859.10 million), representing an increase of 8.11% over last year. Gross profit of the Group was approximately HK\$161.08 million (2020: HK\$143.67 million). The loss (net of tax) was HK\$173.56 million (2020: profit (net of tax) was HK\$5.46 million).

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

Selling and distribution expenses were approximately HK\$23.72 million (2020: HK\$19.86 million), representing an increase of 19.43% from last year and 2.55% (2020: 2.31%) of the Group's revenue. The increase was mainly due to the general growth in sales volume of the Group.

### ***Administrative Expenses***

Administrative expenses were approximately HK\$104.74 million (2020: HK\$85.05 million), representing an increase of 23.15% from last year and 11.28% (2020: 9.90% liquidated damages) of the Group's revenue. The increase was mainly due to the increase in the provision for additional penalty relating to the default construction payment and increase in legal and professional fees of the Group.

### ***Finance Costs***

Finance costs were approximately HK\$101.84 million (2020: HK\$103.05 million), representing a decrease of 1.17% from last year and 10.96% (2020: 11.99%) of the Group's revenue.

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

Included in prepayments, deposits and other receivables, there were trade deposits of HK\$272.49 million (2020: HK\$239.36 million) paid for food products and mineral products. The amounts of approximately HK\$24.61 million (2020: HK\$24.22 million) were the progress payments for the investment targets. HK\$42.98 million (2020: HK\$37.08 million) was paid as rental deposit for the rental business.

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

As at 31 December 2021, the total number of issued shares of the Company was 6,225,125,683 shares. There was no change in the number of issued shares of the Company during the year ended 31 December 2021. Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 22 January 2021, the authorised share capital of the Company was increased from HK\$800,000,000 divided into 8,000,000,000 shares of HK\$0.10 each to HK\$1,600,000,000 divided into 16,000,000,000 shares of HK\$0.10 each by the creation of an additional 8,000,000,000 shares.

As at 31 December 2021, the Group had net assets to owners of the parent of approximately HK\$1,128.68 million (2020: HK\$1,285.20 million). Net current assets of the Group as at 31 December 2021 amounted to approximately HK\$219.54 million (2020: HK\$370.48 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.18 (2020: 1.37).

The Group's unpledged cash and cash equivalents as at 31 December 2021 amounted to approximately HK\$27.43 million (2020: HK\$26.12 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposits as at 31 December 2021 amounted to HK\$Nil (2020: HK\$18.86 million).

As at 31 December 2021, the Group's total bank and other borrowings amounted to approximately HK\$521.00 million (2020: HK\$393.02 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\$236.10 million (2020: HK\$191.30 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 2021 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 41.39% (31 December 2020: 33.58%). The ratio was at reasonably adequate level as at 31 December 2021. 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 2021, no deposit was pledged to banks to secure the Group's bills payable (2020: HK\$18.86 million).

The shares of two subsidiaries of the Company with net assets of HK\$30.61 million (2020: HK\$23.76 million) as at 31 December 2021 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.

Investment properties with fair value of approximately HK\$328.92 million (2020: HK\$308.43 million) was pledged to the bank for the Group's borrowings and bills payables.

## **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 will be heard before Judge from 8 December 2022 to 14 December 2022.

### ***(ii) HCCW 243 of 2019 & HCMP 1284 of 2019***

On 15 August 2019, the Company received a winding up petition (“**Petition**”) filed by Mr. Qiu Zhen (“**Petitioner**”) for an order that the Company may be wound up by the High Court of Hong Kong pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong). The Petition was filed against the Company for being unable to repay a debt of amount HK\$21,140,987. Details of the Petition were disclosed in the announcements of the Company dated 15 August 2019 and 22 August 2019. Subsequently, the legal representatives of the Company filed a Notice of Originating Summons to the Court (under HCMP 1284 of 2019) returnable before a High Court Judge on 19 September 2019 for an order to direct the Petitioner to withdraw the Petition or otherwise to be restrained from taking further step to prosecute the Petition on the ground that the Petition is an abuse of process of the court. On 23 March 2020, leave was granted to the Company to withdraw the Originating Motion. As to the winding up proceedings itself, the parties reached full and final settlement and the Court had, by its Order dated on 8 March 2021, dismissed the Petition, details of which were disclosed on the announcement of the Company dated 8 March 2021.

In addition to the main action relating to the winding up petition, the Company successfully obtained a Validation Order of the Court dated 17 January 2020, under which any transfer of the issued and fully paid up shares in the Company since 13 August 2019 shall not be avoided by s.182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) in the event of a winding-up order being made against the Company. Details of the said Order were disclosed in the announcement of the Company dated 15 May 2020. Further, the Company also obtained another Validation Order of the Court dated 6 January 2021, under which payments of HK\$569,558.00 made out of the Company's bank accounts for the purpose of paying the legal expenses of the Company shall not be avoided.

***(iii) HCMP 1348 of 2019***

On 28 August 2019, the legal representatives of the Company filed a Notice of Originating Summons to the Court (under HCMP 1348 of 2019) to apply to the Court to dispute a Statutory Demand dated 24 July 2019 issued on behalf of Madam 方香蕙 for the sum of HK\$20,094,520.55. The case has been adjourned sine die.

***(iv) 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.

**(v) HCA 947 of 2020**

On 15 June 2020, the Company received a writ of summons issued on behalf of JIANG SHENGLI (姜勝利) (“**JIANG**”) under HCA 947 of 2020. According to the Statement of Claim, JIANG being the plaintiff, claims against the Company for the sum of HK\$15,700,000 and the bond interest. The legal representatives of the Company filed an Acknowledgment of Service on 22 June 2020 and stated our intention to contest the proceedings. Subsequently, the parties reached full and final settlement and signed a Settlement Agreement on 25 March 2021, and the action was wholly discontinued on 31 March 2021.

**(vi) HCA 1128 of 2020**

On 7 July 2020, the Company received a writ of summons issued on behalf of FANG XIANGZAI (方香崽) (“**FANG**”) under HCA 1128 of 2020. According to the Statement of Claim, FANG being the plaintiff, claims against the Company for the sum of HK\$30,575,000 and the agreement interest. The legal representatives of the Company filed an Acknowledgment of Service on 22 July 2020 and stated the intention to contest the proceedings. Subsequently, the parties reached full and final settlement and signed a Settlement Agreement dated 1 April 2021, and the action was wholly discontinued on 4 May 2021.

**(vii) HCMP 1296 of 2021**

On 7 September 2021, the legal representatives of the Company filed a Notice of Originating Summons to the 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) 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 HK\$4,942,814.80 was paid. The Company then settled the matter with the Petitioner, and the winding up petition had been withdrawn by the consent of the parties on or about 3 March 2022.

## **Employees and Remuneration Policy**

As at 31 December 2021, the Group had approximately 178 (2020: 140) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK\$109.27 million (2020: HK\$9.74 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 2021 (2020: 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 2021.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with all code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2021, save as disclosed as follows.

## **Non-compliance with Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and Deviation from Code Provision A.5.1 of the CG Code**

During the period from 22 January 2021 to 16 May 2021, the Company failed to meet the following requirements as a result of the retirement of Mr. Liu Tao as an independent non-executive Director on 22 January 2021:

- (a) at least three independent non-executive directors on the board of directors under Rule 3.10(1) of the Listing Rules;
- (b) the independent non-executive directors representing at least one-third of the board of directors under Rule 3.10A of the Listing Rules;
- (c) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules;
- (d) the remuneration committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and
- (e) the nomination committee comprising a majority of independent non-executive directors under code provision A.5.1 of the CG Code (which has been amended to Rule 3.27A of the Listing Rules since 1 January 2022).

On 17 May 2021, Mr. Chen Zhifeng 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. Following Mr. Chen's appointment, the Company fully complied with the requirements under the above mentioned rules and code provision.

### **Deviation from Code Provision A.1.3 of the CG Code**

Under code provision A.1.3 (which has been renumbered as code provision C.5.3 since 1 January 2022) 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.

### **Deviation from Code Provision A.2.1 of the CG Code**

Under code provision A.2.1 (which has been renumbered as code provision C.2.1 since 1 January 2022) 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. During the year ended 31 December 2021, Mr. Li Jiehong, the Chairman of the Board, provided leadership to the Board to ensure that the Board works effectively and all important issues were discussed and dealt with in a timely manner. 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.

### **Deviation from Code Provision A.6.5 of the CG Code**

Under code provision A.6.5 (which has been renumbered as code provision C.1.4 since 1 January 2022) 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 2021 from Mr. Liu Tao, who retired as an independent non-executive Director on 22 January 2021.

### **Deviation from Code Provision E.1.2 of the CG Code**

Under code provision E.1.2 (which has been renumbered as code provision F.2.2 since 1 January 2022) of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Li Jiehong, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 June 2021 in person due to government measures on travel restrictions caused by COVID-19 outbreak.

### **Deviation from Code Provision E.1.5 of the CG Code**

Under code provision E.1.5 (which has been renumbered as code provision F.1.1 since 1 January 2022) 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.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the COVID-19 coronavirus outbreak. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company currently expects that the auditing process should be completed on or before 29 April 2022.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company, but have not been agreed with the Company's auditors.

## **EVENTS AFTER THE REPORTING PERIOD**

Other than as disclosed in the Management Discussion and Analysis of this announcement, there is no material event after reporting period and up to the date of this announcement.

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

This unaudited 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 2021 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.

**The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's auditors, and is subject to possible adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 30 March 2022

*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.*