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## **CHINA HUAJUN GROUP LIMITED**

**中國華君集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

### **ANNOUNCEMENT OF ANNUAL RESULTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Huajun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby presents the annual results of the Group for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 RMB'000
<b>Revenue</b>	<i>4</i>		
Goods and services		<b>1,627,561</b>	3,496,959
Income from securities brokerage and consultancy services		<b>443</b>	3,183
Rental income from property investments		<b>12,422</b>	11,002
Dividend from securities investments		<b>752</b>	1,294
		<hr/>	<hr/>
<b>Total revenue</b>		<b>1,641,178</b>	3,512,438
Cost of sales and services		<b>(1,985,902)</b>	(3,438,342)
		<hr/>	<hr/>
<b>Gross (loss) profit</b>		<b>(344,724)</b>	74,096
Other gains and losses, net	<i>6</i>	<b>219,733</b>	2,535
Other income	<i>7</i>	<b>7,250</b>	10,590
Change in fair value of investment properties		<b>(1,187,093)</b>	(372,744)
Selling and distribution expenses		<b>(74,753)</b>	(102,371)
Administrative expenses		<b>(232,843)</b>	(305,194)
(Impairment) reversal of impairment loss on			
– trade receivables		<b>(52,188)</b>	11,220
– other receivables		<b>(28,741)</b>	7,521
– property, plant and equipment		<b>(207,322)</b>	(58,093)
– right-of-use assets		<b>(10,376)</b>	(30)
Finance costs	<i>8</i>	<b>(1,305,536)</b>	(1,097,345)
Share of result of an associate		<b>392</b>	515
Gain on liquidation of a subsidiary		<b>410,978</b>	–
Change in fair value of convertible bonds		<b>–</b>	33
		<hr/>	<hr/>
<b>Loss before tax</b>		<b>(2,805,223)</b>	(1,829,267)
Income tax (expense) credit	<i>9</i>	<b>(23,168)</b>	45,082
		<hr/>	<hr/>
<b>Loss for the year</b>	<i>10</i>	<b>(2,828,391)</b>	(1,784,185)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <b>RMB'000</b>
<b>Other comprehensive income (expense)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating of foreign operations		(27,477)	67,058
Change in fair value of debt instruments at fair value through other comprehensive income (“FVTOCI”)		–	(3,375)
Reclassification adjustment relating to loss on disposal of debt instruments at FVTOCI included in profit or loss		–	3,300
		<u>(27,477)</u>	<u>66,983</u>
<b>Other comprehensive (expense) income for the year</b>		<b>(27,477)</b>	<b>66,983</b>
<b>Total comprehensive expense for the year</b>		<b>(2,855,868)</b>	<b>(1,717,202)</b>
Loss for the year attributable to:			
– Shareholders of the Company		(2,822,338)	(1,778,008)
– Non-controlling interests		(6,053)	(6,177)
		<u>(2,828,391)</u>	<u>(1,784,185)</u>
Total comprehensive expense attributable to:			
– Shareholders of the Company		(2,849,806)	(1,711,029)
– Non-controlling interests		(6,062)	(6,173)
		<u>(2,855,868)</u>	<u>(1,717,202)</u>
		<b>RMB</b>	<b>RMB</b>
<b>Loss per share</b>	<i>11</i>		
Basic		<u>(45.86)</u>	<u>(28.89)</u>
Diluted		<u>(45.86)</u>	<u>(28.89)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2022*

	<i>Notes</i>	<b>2022</b> <b>RMB'000</b>	2021 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,252,811</b>	1,553,719
Investment properties		<b>3,869,392</b>	5,075,502
Other non-current asset		<b>3,082</b>	2,824
Interest in an associate		<b>30,638</b>	30,246
Deposits for property, plant and equipment		<b>33,502</b>	40,959
Financial assets at fair value through profit or loss ("FVTPL")		<b>13,220</b>	23,001
Other receivables and deposits	<i>12</i>	<b>13,484</b>	53,631
Deferred tax assets		<b>6,072</b>	7,026
Right-of-use assets		<b>322,260</b>	378,763
		<hr/> <b>5,544,461</b>	<hr/> 7,165,671
<b>Current assets</b>			
Properties held for sale		<b>4,115,673</b>	7,091,240
Inventories		<b>242,954</b>	285,077
Trade and other receivables, deposits and prepayments	<i>12</i>	<b>876,446</b>	945,496
Tax recoverable		<b>5,838</b>	5,739
Financial assets at FVTPL		<b>8,646</b>	12,735
Restricted bank balances		<b>33,144</b>	7,700
Pledged bank deposits		<b>436</b>	10,749
Bank balances and cash		<b>59,739</b>	152,204
		<hr/> <b>5,342,876</b>	<hr/> 8,510,940
Assets classified as held for sale		<b>217,722</b>	59,139
		<hr/> <b>5,560,598</b>	<hr/> 8,570,079

	<i>Notes</i>	<b>2022</b> <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables, and other liabilities	<i>13</i>	<b>6,281,845</b>	3,636,931
Bill payables		–	17,401
Tax payable		<b>135,470</b>	118,289
Amount due to immediate holding company		<b>197,647</b>	–
Borrowings	<i>14</i>	<b>6,724,068</b>	10,828,687
Contract liabilities		<b>1,121,093</b>	1,287,273
Corporate bonds		<b>10,844</b>	12,657
Deferred consideration		<b>74,518</b>	74,518
Lease liabilities		<b>2,220</b>	10,943
		<u><b>14,547,705</b></u>	<u>15,986,699</u>
<b>Net current liabilities</b>		<u><b>(8,987,107)</b></u>	<u>(7,416,620)</u>
<b>Total assets less current liabilities</b>		<u><b>(3,442,646)</b></u>	<u>(250,949)</u>
<b>Non-current liabilities</b>			
Deferred income		<b>131,656</b>	133,858
Deferred tax liabilities		<b>11,907</b>	12,036
Amount due to immediate holding company		–	187,560
Borrowings	<i>14</i>	–	188,490
Corporate bonds		<b>79,211</b>	71,117
Lease liabilities		<b>1,678</b>	858
		<u><b>224,452</b></u>	<u>593,919</u>
<b>NET LIABILITIES</b>		<u><b>(3,667,098)</b></u>	<u>(844,868)</u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>55,983</b>	55,983
Reserves		<b>(3,751,466)</b>	(906,601)
Deficiency attributable to shareholders of the Company		<b>(3,695,483)</b>	(850,618)
Non-controlling interests		<b>28,385</b>	5,750
<b>TOTAL DEFICIENCY</b>		<u><b>(3,667,098)</b></u>	<u>(844,868)</u>

## NOTES

### 1. GENERAL

China Huajun Group Limited (the “**Company**”) is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street Hamilton, Pembroke, HM10, Bermuda. The principal place of its business is located at Suites 903-905, 9/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong.

The directors of the Company (the “**Directors**”) consider that immediate holding company and ultimate holding company of the Company to be Huajun Group Limited (“**HGL**”), a company incorporated in Hong Kong. HGL is wholly-owned by Mr. Meng Guang Bao (“**Mr. Meng**”), who is the chairman of the Board of Directors and an executive director of the Company (suspension of duties and powers since 30 December 2022).

The Company acts as an investment holding company. The Company and its subsidiaries are collectively referred to as the “**Group**”.

### 2. BASIS OF PRESENTATION

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of RMB2,828,391,000 for the year ended 31 December 2022 and as of that date, the Group had capital and other commitments of approximately RMB1,244,509,000, net current liabilities and net liabilities of approximately RMB8,987,107,000 and RMB3,667,098,000 respectively, which included principals, interest and penalty payables of approximately RMB6,724,068,000 and RMB2,022,363,000 respectively, of which aggregate principals of approximately RMB6,609,578,000 are in default. Consequently, the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2022, which remain outstanding up to the date of approval of these consolidated financial statements. Therefore, the Group was involved in a number of litigations in relation of defaulted loan payables together with accrued interests payables above of RMB8,383,229,000 due for settlement as at 31 December 2022.

The above conditions indicate the existence of material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern and, therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors reviewed a cash flow forecast of the Group covering a period of fifteen months from the end of the reporting period and consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

#### (i) Restructuring of the Group’s property business

All of the Group’s property development projects were suspended due to insufficient cash resources. the Group expects that the property projects will be disposed of through sale or legal auction to get proceeds for repayment of borrowings. Certain property project subsidiaries with overdue borrowings are subject to bankruptcy petition if the proceeds from disposal of pledged assets are not sufficient to repay their debts. The Group is in negotiation with creditors of property development business to restructure the borrowings by set off of pledged assets.

**(ii) Disposal and cessation of non-core loss making business**

The Group has and will take actions to cease or dispose of certain non-core loss making business operations to maximum cash flow of the Group.

**(iii) Cash inflow from operations**

The Group will implement further cost reduction measures to minimise the operating costs and retain resources for the Group's printing and logistics and trading business which provide positive cash flows to maintain the Group's operations.

The Directors believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2023. However, should the Group fails to achieve the above-mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

**3. BASIS OF PREPARATION**

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB'000**”) except when otherwise indicated.

**Application of new and amendments to HKFRSs**

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2022:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous contracts – Cost of Fulfilling a Contract
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

## New and amendments to HKFRSs issued 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:

Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 17	Insurance Contracts <sup>1,5</sup>
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – <i>Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the “ <b>2020 Amendments</b> ”) <sup>2,4</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (the “ <b>2022 Amendments</b> ”) <sup>2</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>

<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 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Directors anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.



#### 4. REVENUE

##### (i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2022						
	Printing	Trading and logistics	Property development and investments	Solar photovoltaic	Financial services	Other	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Type of goods and services</b>							
Sales of:							
– printing products	491,274	–	–	–	–	–	491,274
– petrochemical and other related products	–	1,035,107	–	–	–	–	1,035,107
– properties	–	–	18,957	–	–	–	18,957
– hydraulic machinery	–	–	–	–	–	62,766	62,766
– other	–	–	–	–	–	2,432	2,432
Property management services	–	–	17,025	–	–	–	17,025
Total revenue from contracts with customers	491,274	1,035,107	35,982	–	–	65,198	1,627,561
Income from securities brokerage and consultancy services	–	–	–	–	443	–	443
Rental income from property investments	–	–	5,340	7,082	–	–	12,422
Dividend from securities investments	–	–	–	–	752	–	752
Total revenue	<u>491,274</u>	<u>1,035,107</u>	<u>41,322</u>	<u>7,082</u>	<u>1,195</u>	<u>65,198</u>	<u>1,641,178</u>
<b>Geographical markets</b>							
The People's Republic of China (the "PRC")	167,951	1,014,050	35,982	–	–	65,198	1,283,181
The United States of America ("US")	214,980	–	–	–	–	–	214,980
Hong Kong	44,148	11,119	–	–	–	–	55,267
European countries	34,642	9,938	–	–	–	–	44,580
Other countries	29,553	–	–	–	–	–	29,553
Total	<u>491,274</u>	<u>1,035,107</u>	<u>35,982</u>	<u>–</u>	<u>–</u>	<u>65,198</u>	<u>1,627,561</u>

For the year ended 31 December 2021

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Solar photovoltaic RMB'000	Financial services RMB'000	Other RMB'000	Total RMB'000
<b>Type of goods and services</b>							
Sales of:							
– solar photovoltaic products	–	–	–	98,168	–	–	98,168
– printing products	508,816	–	–	–	–	–	508,816
– petrochemical and other related products	–	2,121,574	–	–	–	–	2,121,574
– properties	–	–	667,115	–	–	–	667,115
– hydraulic machinery	–	–	–	–	–	73,559	73,559
– other	–	–	–	–	–	9,370	9,370
Property management services	–	–	18,357	–	–	–	18,357
Total revenue from contracts with customers	508,816	2,121,574	685,472	98,168	–	82,929	3,496,959
Income from securities brokerage and consultancy services	–	–	–	–	3,183	–	3,183
Rental income from property investments	–	–	11,002	–	–	–	11,002
Dividend from securities investments	–	–	–	–	1,294	–	1,294
Total revenue	<u>508,816</u>	<u>2,121,574</u>	<u>696,474</u>	<u>98,168</u>	<u>4,477</u>	<u>82,929</u>	<u>3,512,438</u>
<b>Geographical markets</b>							
The PRC	190,025	2,068,229	685,472	98,168	–	82,929	3,124,823
The US	179,084	–	–	–	–	–	179,084
Hong Kong	36,055	15,454	–	–	–	–	51,509
European countries	41,966	15,676	–	–	–	–	57,642
Other countries	61,686	22,215	–	–	–	–	83,901
Total	<u>508,816</u>	<u>2,121,574</u>	<u>685,472</u>	<u>98,168</u>	<u>–</u>	<u>82,929</u>	<u>3,496,959</u>

\* Revenue from property management services is recognised over time, and the progress measured using the output method. The property management service fees are billed to the tenants monthly. All other revenue of the Group from contracts with customers are recognised at a point in time.

## 5. OPERATING SEGMENTS

The Group manages its businesses by divisions, which are organised by different business lines. Information reported to the Group's executive directors, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment is prepared on this basis. The Group has identified the following five reportable segments under HKFRS 8 Operating Segments as follows:

- Printing: Sales and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products
- Trading and logistics: Trading, logistics and supply chain management
- Property development and investments: Property development and investments, property management services
- Solar photovoltaic: Sales and manufacturing of and provision of processing services on solar photovoltaic products
- Financial services: Comprised of provision of finance through money lending services; provision of finance through finance lease; provision of securities brokerage services and investment activities in equity securities, funds, bonds and asset management services and other related services

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which include sales and manufacturing of hydraulic machinery in the PRC for the year ended 31 December 2022. None of these segments meets any of quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "Other segments".

## Segment revenue and results

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

### For the year ended 31 December 2022

	Printing <i>RMB'000</i>	Trading and logistics <i>RMB'000</i>	Property development and investments <i>RMB'000</i>	Solar photovoltaic <i>RMB'000</i>	Financial services <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Other segments <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>								
Revenue from external customers	491,274	1,035,107	41,322	7,082	1,195	1,575,980	65,198	1,641,178
Segment profit/(loss)	168,920	(23,423)	(1,887,155)	(68,863)	(20,386)	(1,830,907)	(82,182)	(1,913,089)
<b>Unallocated amounts</b>								
Corporate administrative expenses								(21,516)
Other gains and losses, net								23,548
Finance costs								(1,305,536)
Gain on liquidation of a subsidiary								410,978
Share of result of an associate								392
Group's loss before tax								(2,805,223)

### For the year ended 31 December 2021

	Printing <i>RMB'000</i>	Trading and logistics <i>RMB'000</i>	Property development and investments <i>RMB'000</i>	Solar photovoltaic <i>RMB'000</i>	Financial services <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Other segments <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>								
Revenue from external customers	508,816	2,121,574	696,474	98,168	4,477	3,429,509	82,929	3,512,438
Segment loss	(29,176)	(6,188)	(550,455)	(96,630)	(12,862)	(695,311)	(17,532)	(712,843)
<b>Unallocated amounts</b>								
Change in fair value of convertible bonds – derivative component								33
Corporate administrative expenses								(16,661)
Other gains and losses, net								(2,966)
Finance costs								(1,097,345)
Share of result of an associate								515
Group's loss before tax								(1,829,267)

Segment results represent the profit or loss of each operating segment without allocation of gains or losses arising from corporate administrative expenses, corporate other income, finance costs, gain on liquidation of a subsidiary, unallocated other gains and losses and share of result of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## Other segment information

### For the year ended 31 December 2022

	Printing	Trading and logistics	Property development and investments	Solar photovoltaic	Financial services	Sub-total	Other segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>									
Depreciation of property, plant and equipment	30,834	7,253	11,741	24,687	134	74,649	13,364	109	88,122
Depreciation of right-of-use assets	7,154	2,303	1,359	1,551	-	12,367	3,645	2,711	18,723
Additions to non-current assets	4,898	1,519	102,099	4,052	-	112,568	374	3,675	116,617
Impairment loss recognised in respect of									
– trade receivables	-	-	27,555	13,988	-	41,543	10,645	-	52,188
– other receivables	-	-	-	-	-	-	-	28,471	28,471
– property, plant and equipment	-	-	137,897	34,312	139	172,348	34,625	349	207,322
– right-of-use assets	-	-	10,376	-	-	10,376	-	-	10,376
(Gain) loss on disposal of property, plant and equipment	(194,587)	-	-	(31)	29	(194,589)	(1,072)	(201)	(195,862)
Gain on early termination of lease	-	(2)	-	-	-	(2)	-	-	(2)
Fair value loss of investment properties	-	-	1,187,093	-	-	1,187,093	-	-	1,187,093
Fair value loss of financial assets at FVTPL	-	-	-	-	1,418	1,418	-	-	1,418
Loss on disposal of financial assets at FVTPL	-	-	-	-	712	712	-	-	712
Interest income on bank deposits and pledged bank deposits	(86)	(366)	(118)	(4)	(94)	(668)	(8)	(5)	(681)
Written off of other receivables	447	-	3,608	10	-	4,065	186	-	4,251
Write-down of inventories	-	-	-	-	-	-	2,274	-	2,274
Write-down of properties held for sale	-	-	469,283	-	-	469,283	-	-	469,283

### For the year ended 31 December 2021

	Printing	Trading and logistics	Property development and investments	Solar photovoltaic	Financial services	Sub-total	Other segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>									
Depreciation of property, plant and equipment	28,188	7,532	17,851	26,364	221	80,156	16,188	934	97,278
Depreciation of right-of-use assets	9,991	3,896	1,145	1,765	13	16,810	4,458	1,747	23,015
Additions to non-current assets	34,974	2,171	190,847	151,142	2,824	381,958	273,047	3,484	658,489
Impairment loss (reversal of impairment) recognised in respect of									
– trade receivables	682	-	-	(11,902)	-	(11,220)	-	-	(11,220)
– other receivables	-	-	(7,521)	-	-	(7,521)	-	-	(7,521)
– property, plant and equipment	-	-	-	52,863	-	52,863	5,230	-	58,093
– right-of-use assets	-	-	-	-	30	30	-	-	30
(Gain) loss on disposal of property, plant and equipment	(805)	1	59	-	5	(740)	(30,623)	-	(31,363)
Provision for litigation	-	-	21,699	-	-	21,699	-	-	21,699
Loss on early termination of lease	-	-	-	-	-	-	111	-	111
Fair value loss of investment properties	-	-	372,744	-	-	372,744	-	-	372,744
Fair value loss of financial assets at FVTPL	-	-	-	-	1,929	1,929	-	-	1,929
Loss on disposal of debt instruments at FVTOCI	-	-	-	-	3,300	3,300	-	-	3,300
Interest income on bank deposits and pledged bank deposits	(274)	(826)	(384)	(558)	(56)	(2,098)	(5)	(6)	(2,109)
Written off of other receivables	-	-	-	144	4,955	5,099	1,149	6	6,254
Interest income from finance lease receivables	-	-	-	-	(1,297)	(1,297)	-	-	(1,297)
Write-down of inventories	-	572	-	-	-	572	-	-	572
Write-down of properties held for sale	-	-	109,561	-	-	109,561	-	-	109,561

**6. OTHER GAINS AND LOSSES, NET**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Gain on disposal of property, plant and equipment	195,862	31,363
Exchange gain, net	25,999	10
Gain (loss) on early termination of lease	2	(111)
Loss on change in fair value of financial assets at FVTPL	(1,418)	(1,929)
Loss on disposal of financial assets at FVTPL	(712)	–
Loss on disposal of debt instruments at FVTOCI	–	(3,300)
Change in fair value of deferred consideration	–	(23,498)
	<u>219,733</u>	<u>2,535</u>

**7. OTHER INCOME**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income on bank deposits and pledged bank deposits	681	2,109
Government subsidies	2,400	–
Amortisation of deferred income	2,201	451
Others	1,968	8,030
	<u>7,250</u>	<u>10,590</u>

**8. FINANCE COSTS**

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank borrowings and other borrowings	1,315,714	1,348,798
Interest on lease liabilities	576	1,120
Imputed interest arising on interest-free borrowings from immediate holding company	52,334	5,123
Effective interest expenses on convertible bonds	–	120,762
Effective interest expenses on corporate bonds	7,410	7,854
Other finance charges	–	21,206
	<u>1,376,034</u>	<u>1,504,863</u>
Less: interest expenses capitalised into investment properties under construction/properties under development for sales/construction-in-progress	<u>(70,498)</u>	<u>(407,518)</u>
	<u>1,305,536</u>	<u>1,097,345</u>

## 9. INCOME TAX EXPENSE (CREDIT)

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax:		
Hong Kong Profits Tax	37	983
PRC enterprise income tax	20,905	23,287
PRC land appreciation tax	1,255	9,089
Other jurisdictions	99	9
	<u>22,296</u>	<u>33,368</u>
Over-provision in prior periods:		
PRC enterprise income tax	–	(836)
Deferred taxation	<u>872</u>	<u>(77,614)</u>
	<u><u>23,168</u></u>	<u><u>(45,082)</u></u>

For the years ended 31 December 2021 and 2022, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the current and prior years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Land appreciation tax in the PRC is levied on properties developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowing costs and all property development expenditures.

## 10. LOSS FOR THE YEAR

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss for the year is arrived after charging (crediting):		
Directors' remuneration	7,337	11,755
Staff cost, excluding Directors' remuneration:		
– Salaries, wages and other benefits	191,272	196,178
– Retirement benefit scheme contributions	27,159	26,701
	<hr/>	<hr/>
Total staff costs	225,768	234,634
	<hr/>	<hr/>
Rental income from investment properties:		
Gross rental income from investment properties	(12,422)	(11,002)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	1,257	912
	<hr/>	<hr/>
	(11,165)	(10,090)
	<hr/>	<hr/>
Auditors' remuneration		
– Audit services	2,523	3,190
– Non-audit services	267	5
Provision for litigation	–	21,699
Cost of inventories recognised as an expense	1,265,787	2,673,679
Cost of properties recognised as an expense	18,718	644,228
Write-down of properties held for sales (included in cost of sales and services)	469,283	109,561
Write-down of inventories (included in cost of sales and services)	2,274	572
Written off of other receivables	4,251	6,254
Depreciation for property, plant and equipment	88,122	97,278
Depreciation for right-of-use assets	18,723	23,015
Research and development expense	8,094	11,349
	<hr/> <hr/>	<hr/> <hr/>



## 11. LOSS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to shareholders of the Company)	<u>(2,822,338)</u>	<u>(1,778,008)</u>
	2022	2021
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>61,543,075</u>	<u>61,543,075</u>

The computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares in both years.

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 – 30 days	80,877	133,297
31 – 90 days	51,638	73,359
91 – 180 days	8,923	18,989
Over 180 days	<u>12,800</u>	<u>12,280</u>
	<u>154,238</u>	<u>237,925</u>

## 13. TRADE AND OTHER PAYABLES, AND OTHER LIABILITIES

The following is an aged analysis of trade payables and construction payables based on the invoice date at the end of the reporting period.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
0 to 30 days	41,720	161,775
31 to 90 days	34,078	42,400
91 to 365 days	22,654	329,317
Over 365 days	<u>408,129</u>	<u>167,231</u>
	<u>506,581</u>	<u>700,723</u>

## 14. BORROWINGS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank borrowings	5,025,307	5,071,050
Other borrowings from financial institutions	1,440,000	5,687,000
Other borrowings from non-controlling shareholders	–	153,147
Other borrowing	258,761	105,980
	<u>6,724,068</u>	<u>11,017,177</u>
Secured	6,575,921	10,763,050
Unsecured	148,147	254,127
	<u>6,724,068</u>	<u>11,017,177</u>
Carrying amount repayable based on repayment schedule:		
Within one year	6,724,068	10,828,687
In more than one year but not more than two years	–	109,490
In more than two years but not more than five years	–	79,000
	<u>6,724,068</u>	<u>11,017,177</u>

The exposure of the Group's borrowings and the contractual maturity dates (or reset dates) are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Variable-rate borrowings:		
Within one year	–	31,796
Fixed-rate borrowings		
Within one year	6,724,068	10,796,891
In more than one year but not more than two years	–	109,490
In more than two years but not more than five years	–	79,000
	<u>6,724,068</u>	<u>11,017,177</u>

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Effective interest rate:		
– Fixed-rate borrowings	4.2% – 20.0%	4.4% – 20.0%
– Variable-rate borrowings	N/A	6.41%

- (a) As at 31 December 2022 and 2021, certain banking facilities and loans granted to the Group are secured by the Group's assets.

- (b) During the year ended 31 December 2022, the Group has renewed certain bank borrowings of RMB5,000,000 from a commercial bank. During the year ended 31 December 2021, the Group has obtained several tranches of borrowings amounted to RMB2,358,844,000 from Liaoshen Bank Co., Ltd (“**Liaoshen Bank**”) (formerly known as Yingkou Coastal Bank Co., Ltd. (“**Yingkou Coastal Bank**”)) and renewed certain bank borrowings amounted to RMB193,490,000 from other commercial banks. As at 31 December 2022, the total outstanding principal amount of approximately RMB6,609,578,000 (31 December 2021: RMB9,849,889,000) was in default and details of material defaulted borrowings are set out below.
- (c) In respect of a bank borrowing with an outstanding principal amount of RMB157,000,000 (31 December 2021: RMB157,000,000) as at 31 December 2022, the Group breached the repayment terms of which approximately RMB182,682,000 was in default since November 2019. The relevant bank borrowing is an entrusted loan entrusted by Shanghai Linyi Investment Partnership (Limited Partnership)\* (“**Shanghai Linyi**”) made available to Baohua Properties (Jiangsu) Co., Ltd.\* (“**Baohua Jiangsu**”), a 80% owned subsidiary of the Group. On 25 December 2019, Shanghai Linyi issued a legal letter to Baohua Jiangsu to demand for the outstanding principal, interest of approximately RMB182,682,000 and RMB3,040,000 respectively plus penalty interest at a daily rate of 0.1% since 9 November 2019. On 31 December 2019, Baohua Jiangsu made partial repayment of the principal of approximately RMB25,682,000.

On 7 January 2020, Shanghai Linyi further filed a claim to Shanghai Financial Court\* against Baohua Jiangsu, Huajun Properties (Yangzhou) Co., Ltd.\* (Huajun Properties Yangzhou), the Company and Mr. Meng for the outstanding principal of approximately RMB169,539,000 as at 31 December 2019 plus penalty interest at a daily rate of 0.1% since 31 December 2019. On 10 September 2020, Shanghai Financial Court handed down a judgement in favour of Shanghai Linyi and demanded immediate repayment from Baohua Jiangsu but concluded that the outstanding principal was RMB157,000,000 and unpaid interest of RMB3,040,000. Penalty interest shall be calculated at an annual rate of 24% since 9 November 2019. On 30 September 2020, Baohua Jiangsu filed an appeal to the Shanghai High Court against the interest rate determined by the Shanghai Financial Court. The Shanghai High Court rejected the appeal from the Group and the execution notice had been released on 8 July 2021. In September and October 2022, a piece of land of Baohua Jiangsu pledged for the loan were enforced to judicial auction. After two rounds of public judicial auctions, the land has not been sold. According to the execution judgement issued by Shanghai Financial Court dated 6 December 2022, the land will be used to settle the debt owed by Baohua Jiangsu at the second bidding base price of approximately RMB188,591,000. As at 31 December 2022, the entire outstanding borrowing of RMB157,000,000 (31 December 2021: RMB157,000,000) was classified as current liabilities and outstanding interest of RMB3,040,000 (31 December 2021: RMB3,040,000) and provision for penalty interest of approximately RMB121,169,000 (31 December 2021: RMB82,966,000) based on an interest rate at 24% per annum were included under other payables.

- (d) In respect of a borrowing with an outstanding principal of RMB1,440,000,000 (31 December 2021: RMB1,440,000,000) as at 31 December 2022, the Group breached the repayment terms of which the loan principal of RMB240,000,000 was in default since 27 March 2020. The loan was granted by China Great Wall Asset Management Co., Ltd. – Shanghai Branch (“**China Great Wall**”) to Baohua Properties Development (Shanghai) Co., Ltd\* (“**Baohua Shanghai**”), an indirect wholly-owned subsidiary of the Company. The borrowing was secured by the shares of Baohua Real Estate (Dalian) Co., Ltd. (“**Baohua Real Estate Dalian**”), the Group’s investment properties and properties held for sale with carrying value of approximately RMB1,897,860,000 and RMB1,265,240,000 (2021: RMB2,331,166,000 and RMB1,593,434,000) as at 31 December 2022 and guaranteed by the Company, Huajun Holdings Group Co., Ltd. (a company controlled by Mr. Meng), Mr. Meng and his spouse (together referred to as the “**Guarantors**”). Pursuant to the terms of the loan agreement, China Great Wall had a discretionary right to demand immediate full repayment of the outstanding principal of RMB1,440,000,000 together with any unpaid interest. On 9 June 2020, China Great Wall issued a payment notice and demanded repayment of the principals of RMB1,440,000,000 and penalty interest immediately.

On 2 November 2020, the Group received a notice dated 30 October 2020 from the Shanghai Huangpu Notary Public Office (“**Shanghai Notary Office**”) (the “**Notice**”), stating that the lender has applied for the issuance of execution certificate (the “**Execution Certificate**”) to the Group due to the alleged failure of Baohua Shanghai to repay the loan within the specified period. According to the Notice, Baohua Shanghai has the right to object to the issuance of the Execution Certificate within five days after receiving the Notice. On 5 November 2020, Baohua Shanghai submitted an objection letter against the issuance of the Execution Certificate to Shanghai Notary Office. On 28 December 2020, Baohua Shanghai received a second notice dated 23 November 2020 from Shanghai Notary Office, which stated that Baohua Shanghai’s objection against the issuance of the Execution Certificate was not accepted. Baohua Shanghai received further notices from Shanghai Notary Office dated 25 December 2020 and 8 January 2021 respectively in respect of amendments to the computation of compound interest, penalty interest and damages from the default of borrowings. On 11 January 2021, the Execution Certificate was issued by Shanghai Notary Office, pursuant to which China Great Wall can use the Execution Certificate for application to the relevant courts of the PRC for enforcement of immediate repayment on the principal and all outstanding interest. According to the Execution Certificate, the total interest including normal interest, penalty interest, compound interest and damages shall not exceed 24% per annum. On 10 February 2021, the Shanghai Financial Court issued a notice of execution against Baohua Shanghai, pursuant to which Baohua Shanghai was ordered to pay the outstanding balance of the borrowing plus interest to China Great Wall. On the same date, the Shanghai Financial Court also issued an asset report order against Baohua Shanghai, Baohua Real Estate Dalian and the Guarantors pursuant to which the Guarantors are required to report their assets and relevant financial information to the court.

One of the Guarantors, Huajun Holdings Group Co., Ltd., has submitted an application for non-enforcement to the Shanghai Financial Court in accordance with the law. In July 2021, the Shanghai Financial Court released a judgment to reject the application for non-enforcement and an application for review of judgement was submitted. The review of judgement was rejected by Shanghai Financial Court in October 2021. In November and December 2022, certain investment properties under development and properties held for sale of Baohua Shanghai pledged for the loan were enforced to judicial auctions but those properties have not been sold up to the date of this announcement. As at 31 December 2022, the entire outstanding borrowing of RMB1,440,000,000 (31 December 2021: RMB1,440,000,000) was classified as current liabilities and outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB659,261,000 (31 December 2021: RMB434,421,000) were included in other payables.

- (e) In respect of a borrowing with an outstanding principal of RMB22,499,000 (31 December 2021: RMB31,796,000), the Group breached the repayment terms of which the entire loan principal of RMB31,796,000 was in default since 8 June 2020. The loan was granted by Zheshang Bank Co., Ltd (“**Zheshang Bank**”) to Shenzhen Huajun Financial Leasing Co., Ltd\* (“**Shenzhen Huajun Financial Leasing**”), a 70% owned subsidiary of the Company.

On 10 July 2020, Zheshang Bank filed a claim to Shenzhen Futian District People’s Court\* against Shenzhen Huajun Financial Leasing for the outstanding principal of RMB32,000,000 plus unpaid interest (including penalty interest and additional interest) of approximately RMB332,000 and the penalty interest and compound interest shall be calculated at 8.34% per annum. The hearing of the claim was held on 16 September 2020. On 3 December 2020, Shenzhen Futian District People’s Court handed down a judgement to demand Shenzhen Huajun Financial Leasing to repay the outstanding principal and interest (including penalty interest and compound interest) of approximately RMB32,000,000 and RMB1,320,000 accumulated up to 19 November 2020. Thereafter, penalty interest and compound interest shall be calculated at 8.34% per annum. On 30 December 2020, Shenzhen Huajun Financial Leasing filed an appeal to the Guangdong, Shenzhen Intermediate People’s Court against the interest rate determined by the Shenzhen Futian District People’s Court. On 11 May 2021, the Shenzhen Futian District People’s Court handed down the judgement of appeal which withhold the original verdict. On 9 June 2021, an enforcement notice was received. During the year ended 31 December 2022, certain investment properties of the Group pledged for the loan were enforced to judicial auction and certain properties have been sold for approximately RMB11,902,000 and all proceeds had been repaid to Zheshang Bank.

As at 31 December 2022, the entire outstanding bank borrowing of RMB22,499,000 (31 December 2021: RMB31,796,000) was classified as current liabilities and its outstanding interest of RMB108,000 (31 December 2021: RMB108,000) and penalty interest and compound interest of approximately RMB6,463,000 (31 December 2021: RMB4,227,000) based on the judgement rate at 8.34% (31 December 2021: 8.34%) per annum was included in other payables.

- (f) In respect of a borrowing with an outstanding principal of RMB4,247,000,000 as at 31 December 2021, there were interest payments of RMB193,191,000 and RMB192,141,000 due on 22 June 2020 and 23 December 2020 respectively where the Group has not settled. The loan was granted by a financial institution in the PRC to Huajun Properties (Wuxi) Co., Ltd.\* (“**Huajun Wuxi**”), a wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principal of RMB4,247,000,000 together with any unpaid interest.

As a result of the Huajun Wuxi Liquidation, the entire outstanding principal of RMB4,247,000,000, outstanding interest of approximately RMB821,340,000 and penalty interest of approximately RMB672,459,000 based on contractual terms were derecognised upon deconsolidation of Huajun Wuxi.

As at 31 December 2021, the entire outstanding principal of RMB4,247,000,000 was classified as current liabilities and outstanding interest of approximately RMB821,340,000 and penalty interest of approximately RMB112,691,000 based on contractual terms was included in other payables. The borrowing was secured by properties held for sale with carrying amount of RMB2,592,907,000 as at 31 December 2021.

- (g) In respect of two borrowings with total outstanding principals of RMB2,658,800,000 (31 December 2021: RMB2,658,800,000), the Group has not repaid the entire outstanding principals. The loans were granted by Liaoshen Bank to Huajun Properties (Dalian) Company Limited (“**Huajun Properties (Dalian)**”), an indirect wholly-owned subsidiary of the Company. Pursuant to the terms of the loan agreement, the counterparty had a discretionary right to demand immediate full repayment of the outstanding principals of RMB2,658,800,000 together with any unpaid interest. On August 2021, Liaoshen Bank filed claims to Yingkou Court against Huajun Properties (Dalian) and an order was granted by the Yingkou Court to freeze and preserve the Dalian Office Complex. The first hearing for claims has been held on 23 November 2021 and Yingkou Court handed down a judgement to demand Huajun Properties (Dalian) to repay the outstanding principal and relevant interest. The Dalian Office Complex included in investment properties under development of the Group pledged for the loan was enforced to judicial auction in October 2022 but those properties have not been sold up to the date of this announcement.

As at 31 December 2022, the entire outstanding bank borrowing of RMB2,658,800,000 (31 December 2021: RMB2,658,800,000) was classified as current liabilities and its outstanding interest of RMB311,717,000 (31 December 2021: RMB122,548,000) and penalty interest and compound interest of approximately RMB19,159,000 (31 December 2021: RMB10,050,000) at a rate of 3% per annum based on the Yingkou Court’s judgement were included in other payables.

- (h) In respect of a borrowing with an outstanding principal of RMB56,700,000, the Group has not repaid the entire outstanding principal and in default since 4 September 2021. The loan was granted by Liaoshen Bank to Huajun Power Technology (Jiangsu) Co., Ltd., an indirect wholly-owned subsidiary of the Company. On 7 December 2021, an order was granted by Yingkou West City District Court to freeze and preserve two solar photovoltaic production lines. On 22 November 2022, an enforcement notice was issued by Yingkou West City District Court.

As at 31 December 2022, the entire outstanding bank borrowing of RMB56,700,000 (31 December 2021: RMB56,700,000) was classified as current liabilities and outstanding interest of approximately RMB13,685,000 (31 December 2021: RMB5,406,000) based on contractual terms was included in other payables.

- (i) In respect of a borrowing with outstanding principal of RMB115,614,000 (31 December 2021: RMB105,980,000) from a private company incorporated in Hong Kong, the Group breached the repayment terms of which the outstanding principal of RMB115,614,000 (31 December 2021: RMB105,980,000) was classified as current liabilities and outstanding interest and penalty interest of approximately RMB40,544,000 (31 December 2021: RMB15,970,000) were included in other payables. In January 2022, the Company has entered into a deed with the lender to provide further collaterals including certain land and buildings held by a subsidiary in the PRC, corporate guarantees of two subsidiaries of the Company and 100% equity pledged of a subsidiary in the PRC. Both counterparties agreed not to demand for repayment until 28 July 2022. In July 2022, a notice of arbitration was issued by Shenzhen Court of International Arbitration to two subsidiaries of the Company and an arbitration hearing was held in September 2022. No judgement for the arbitration was released up to the date of this announcement.
- (j) In respect of a borrowing with an outstanding principal of RMB199,659,000 (31 December 2021: RMB199,659,000), the Group breached the repayment terms of which the entire loan principal of RMB199,659,000 was in default since 10 August 2020. The borrowing was granted by Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.\* (“**Jiangnan Rural Bank**”) to Huajun Properties (Changzhou) Company Limited\* (“**Huajun Changzhou**”), a wholly-owned subsidiary of the Company and was guaranteed by Huajun Power Group Co., Ltd. and the Company. In October 2020, Jiangnan Rural Bank filed several claims to Changzhou Intermediate Court\* against Huajun Changzhou. The first hearing for claims was held in December 2021 and January 2022. During the reporting period, the Changzhou Intermediate Court has handed down a judgement to demand Huajun Changzhou to repay all outstanding principal and relevant interest. Jiangnan Rural Bank transferred the loan receivables to China Great Wall Asset Management Co. Ltd. – Jiangsu province Branch (“**China Great Wall – Jiangsu**”), China Great Wall – Jiangsu filed several claims to Changzhou Intermediate Court and court hearing is subsequently held on 28 February 2023. No judgement was released up to the date of this announcement.

As at 31 December 2022, the entire outstanding bank borrowing of approximately RMB199,659,000 (31 December 2021: RMB199,659,000) was classified as current liabilities and outstanding interest, penalty interest and compound interest of approximately RMB49,733,000 (31 December 2021: RMB28,963,000) were included under other payables.

- (k) In respect of a borrowing with an outstanding principal of RMB489,900,000 (31 December 2021: RMB489,900,000), the Group breached the repayment terms of which entire loan principal of RMB489,900,000 was in default since 24 February 2022. The borrower of the loan was New Island Printing (Liaoning) Limited (“**NIP (Liaoning)**”), a wholly-owned subsidiary of the Company. In July 2022, Liaoning Assets Management Company Limited filed a claim to Liaoning Yingkou Intermediate Court against NIP (Liaoning). The first hearing for the claim was held in August 2022 and has handed down a judgement to demand NIP (Liaoning) to repay all outstanding principal and relevant interest. Certain investment properties of the Group located in Dalian pledged for the loan were enforced to judicial auctions and one of the investment properties was sold in auction held in December 2022 for a consideration of approximately RMB60,913,000 and another investment property was sold for a consideration of approximately RMB47,762,000 in February 2023. Such proceeds from auctions are to be repaid to Liaoning Assets Management Company Limited by the court directly.

As at 31 December 2022, the entire outstanding bank borrowing of RMB489,900,000 (31 December 2021: RMB489,900,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB139,698,000 (31 December 2021: RMB92,276,000) were included in other payables.

- (l) In respect of a borrowing with an outstanding principal of RMB300,000,000 (31 December 2021: RMB300,000,000), the Group breached the repayment terms of which entire loan principal of RMB300,000,000 was in default since 30 July 2021. The borrower of the loan was Huajun Logistics Group Limited (“**Huajun Logistics**”)\*, a wholly-owned subsidiary of the Company. In July 2022, Liaoning Assets Management Company Limited filed a claim to Liaoning Yingkou Intermediate Court against Huajun Logistics. In September 2022, Liaoning Yingkou Intermediate Court has held down a judgement to demand Huajun Logistics to repay all outstanding principal and relevant interest to Liaoning Assets Management Company Limited.

As at 31 December 2022, the entire outstanding bank borrowing of RMB300,000,000 (31 December 2021: RMB300,000,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB89,143,000 (31 December 2021: RMB49,450,000) were included in other payables.

- (m) In respect of a borrowing with an outstanding principal of RMB328,065,000 (31 December 2021: RMB328,065,000), the Group breached the repayment terms of which entire loan principal of RMB328,065,000 was in default since 25 September 2021. The borrower of the loan was Huajun Power Technology (Jiangsu) Co., Ltd. (“**HPT Jiangsu**”)\*, a wholly-owned subsidiary of the Company. In July 2022, Liaoning Assets Management Company Limited filed a claim to Liaoning Yingkou Intermediate Court against HPT Jiangsu. The first hearing for the claim is scheduled to be held in August 2022. In September 2022, Liaoning Yingkou Intermediate Court has held down a judgement to demand HPT Jiangsu to repay all outstanding principal and relevant interest to Liaoning Assets Management Company Limited.

As at 31 December 2022, the entire outstanding bank borrowing of RMB328,065,000 (31 December 2021: RMB328,065,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB51,230,000 (31 December 2021: RMB39,944,000) were included in other payables.

- (n) In respect of a borrowing with an outstanding principal of RMB79,000,000 (31 December 2021: RMB79,000,000), the Group breached the interest repayment terms of the loan which was granted by Jurong Rural Commercial Bank (“**Jurong Rural Bank**”) with loan principal maturity in July 2024. The borrower of the loan was HPT Jiangsu. Jurong Rural Bank filed a claim to Jurong People’s Court against HPT Jiangsu and the Jurong People’s Court has held down a judgement in September 2022 to demand HPT Jiangsu to repay the principal and related interest to Jurong Rural Bank.

As at 31 December 2022, the entire outstanding bank borrowing of RMB79,000,000 (31 December 2021: RMB79,000,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB8,782,000 (31 December 2021: RMB1,918,000) were included in other payables.

- (o) In respect of a borrowing with an outstanding principal of RMB261,668,000 (31 December 2021: RMB284,978,000), the Group breached the repayment terms of which entire loan principal of RMB261,668,000 was in default since April 2022. The borrower of the loan was Guofu Minfeng Industrial (Yingkou) Company Limited (“**GFMF**”)\*, a wholly-owned subsidiary of the Company. In October 2022, Yingkou Bayuquan District Court has handed down a judgement to demand GFMF to repay all outstanding principal and relevant interest to Liaoning Assets Management Company Limited.

As at 31 December 2022, the entire outstanding bank borrowing of RMB261,668,000 (31 December 2021: RMB284,978,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB91,447,000 (31 December 2021: RMB67,389,000) were included in other payables.

- (p) In respect of a borrowing with an outstanding principal of RMB108,770,000 (31 December 2021: RMB121,905,000), the Group breached the repayment terms of which entire loan principal was in default since July 2021. The borrower of the loan was Huajun Energy Group, Ltd. (“**HJ Energy**”)\*, an indirect wholly-owned subsidiary of the Company. In August 2022, Liaoning Assets Management Company Limited filed a claim to Liaoning Yingkou Intermediate Court against HJ Energy. The first hearing for the claim was held on 23 September 2022. No judgement has been released up to the date of this announcement.

In addition to the above, borrowings with aggregate principal of RMB248,712,000 (31 December 2021: RMB5,305,890,000) were past due but no legal claims have been received by the Group up to the date of this announcement.

## 15. SHARE CAPITAL

	Number of shares		Share capital	
	2022 '000	2021 '000	2022 HK\$'000	2021 HK\$'000
<b>Ordinary shares</b>				
Authorised:				
Ordinary shares of HK\$1.00 each				
At the beginning and end of the reporting year	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
	<i>'000</i>	<i>'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Issued and fully paid:				
At the beginning of the reporting year and end of the reporting year	<u>61,543</u>	<u>61,543</u>	<u>55,983</u>	<u>55,983</u>

## 16. EVENTS AFTER THE REPORTING PERIOD

A petitioner presented a bankrupt liquidation petition (the “**Petition**”) against Baohua Jiangsu an indirect wholly-owned subsidiary of the Company in the PRC, in the Court of People’s Court of Gaoyou City, Jiangsu Province (“**Gaoyou People’s Court**”). According to the “Civil Judgement” dated 13 January 2023 issued by the Gaoyou People’s Court, the application of the Petition was accepted. On 28 January 2023, Gaoyou People’s Court issued a decision letter for the designation of a group of individuals as the bankruptcy administrators to handle the bankruptcy liquidation of Baohua Jiangsu. As a result of the bankrupt liquidation petition against Baohua Jiangsu and the appointment of Bankruptcy Administrator, the Company has effectively lost the control over Baohua Jiangsu and the results of operations and financial position of Baohua Jiangsu have not been consolidated into the consolidated financial statements of the Company as Baohua Jiangsu is considered no longer a subsidiary of the Company since February 2023.



## BUSINESS REVIEW

Our Group used to engaged in five core businesses, namely (i) Printing; (ii) Trading and Logistics; (iii) Property Development and Investments; (iv) Solar Photovoltaic; and (v) Financial Services. Due to heavy capital investment is required and continuing operating loss incurred by the solar photovoltaic business, the Group has ceased its sale and production of solar photovoltaic products in late 2021 and reduced scale for financial services scale due to continuing loss to save costs.

For the year ended 31 December 2022 (the “**Current Year**”), revenue was approximately RMB1,641.2 million, representing a decrease of approximately RMB1,871.2 million, or 53.3%, compared to revenue of approximately RMB3,512.4 million for the year ended 31 December 2021 (the “**Last Year**”). The overall decrease in revenue was attributable to the decrease in revenue contributed by Trading and Logistics business segment. During the first half of the Current Year, PRC Government continued to implement Zero-Covid Policy therefore, majorities of key cities (including Shanghai where our Trading and Logistics business operated in) were suffering strict lockdown which caused uncertain macroeconomic environment, poor consumption appetite and disruption in supply chain in the PRC.

The decrease was also due to the decrease in Property Development and Investment. During the Last Year, the PRC government implemented several policies to cool down the overheating in the property market. As a result, property market suffered and people began to lose confident on property market. This resulted the decrease in revenue for the Property Development and Investment business.

For the Current Year, our Group generated most of its revenue from Trading and Logistics segment which accounted for approximately 63.1% (Last Year: approximately 60.4%) of the total revenue followed by Printing segment which accounted for approximately 29.9% (Last Year: approximately 14.5%) of the total revenue. For the Current Year, local PRC sales continued to be our major source of revenue, representing approximately 78.5% (Last Year: 89.3%) of the total revenue.

The table below sets forth our Group’s revenue by business segment for the Current Year and the Last Year:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	<i>RMB Million</i>	<i>%</i>	<i>RMB Million</i>	<i>%</i>
Printing	491.3	29.9%	508.8	14.5%
Trading and Logistics	1,035.1	63.1%	2,121.6	60.4%
Property Development and Investments	41.3	2.5%	696.5	19.8%
Solar Photovoltaic	7.1	0.4%	98.1	2.8%
Financial Services	1.2	0.1%	4.5	0.1%
Other	65.2	4.0%	82.9	2.4%
	<u>1,641.2</u>	<u>100%</u>	<u>3,512.4</u>	<u>100%</u>

The table below sets forth our Group’s revenue by geographical locations based on the location by customers for the Current Year and the Last Year:

	For the year ended 31 December 2022		For the year ended 31 December 2021	
	<i>RMB Million</i>	<i>%</i>	<i>RMB Million</i>	<i>%</i>
The PRC	1,288.5	78.5%	3,137.1	89.3%
The United States	215.0	13.1%	179.1	5.1%
Hong Kong	63.5	3.9%	54.7	1.6%
European countries	44.6	2.7%	57.6	1.6%
Other countries	29.6	1.8%	83.9	2.4%
	<u>1,641.2</u>	<u>100%</u>	<u>3,512.4</u>	<u>100%</u>

Set out below are details of the financial and trading prospects of the core business segments of the Group:

### **Printing**

New Island Printing Group Company Limited (“**New Island**”) is one of the leading and reputable printing and packaging companies in Hong Kong and the PRC. New Island produces high quality packaging and paper products with the capability to serve our international clients in the areas of beauty and cosmetics, pharmaceutical, food and beverage globally.

As a result of gradually recovery of overseas market during the Current Year. The Group expects printing business will continue contribute stable revenue and profit to the Group.

### **Trading and Logistics**

This segment is principally engaged in the distribution and sales of petrochemical products and provision of logistics services. This segment trades a large spectrum of petrochemical products. The Group expects vast demand of petrochemical products in Hong Kong and the PRC due to our strength of strong network of suppliers which ensured stable supply of products managed by our team. Most of our customers for petrochemical products are in the PRC. The sales of logistic declined due to Zero-Covid Policy during the Current Year. China Government is pulling out all the stops to resume economic growth after ending its Zero-Covid policy in early December of 2022. Therefore, the Group expects the demand for petrochemical products will gradually recovered in the first half of 2023.

## **Property Development and Investments**

This segment consists of land consolidation and development, property development and sales, property leasing and management, and various real estate business. Leveraging on the rich resources in the PRC, the Group used to seeking investments on various development projects with asset appreciation potential for investment and enjoys asset appreciation while generating stable revenue.

However, due to PRC government policies on tightening of financing of property developers, and liquidity issues on property developers in the PRC in 2022, our Property Development and Investments business also faced significant challenges and lack of demand for our properties. The Group is not expected to invest in or acquire new property projects, the key work in the future is to dispose of existing projects and discuss loan repayment matters with various creditors, including auctioning assets and repaying debts in kind, so as to resolve the debt crisis of the Group.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue for the Current Year was approximately RMB1,641.2 million, representing a decrease of approximately RMB1,871.2 million, or 53.3%, compared to revenue of approximately RMB3,512.4 million for the Last Year. For the Current Year, the Group's major business segments, namely (1) Printing reported a revenue of approximately RMB491.3 million (Last Year: approximately RMB508.8 million); (2) Trading and Logistics reported a revenue of approximately RMB1,035.1 million (Last Year: approximately RMB2,121.6 million); (3) Solar Photovoltaic recorded revenue of approximately RMB7.1 million (Last Year: approximately RMB98.1 million); (4) Property Development and Investments reported a revenue of approximately RMB41.3 million (Last Year: approximately RMB696.5 million); and (5) Financial Services recorded a revenue of approximately RMB1.2 million (Last Year: approximately RMB4.5 million). We also recorded revenue of approximately RMB65.2 million (Last Year: approximately RMB82.9 million) from other operating segments during the Current Year.

The overall decrease in revenue was attributable to the decrease in revenue generated from Trading and Logistics. During the first half of the Current Year, PRC Government continued to implement Zero-Covid Policy therefore, majorities of key cities (including Shanghai where our Trading and Logistics business operated in) were suffering strict lockdown which caused uncertain macroeconomic environment, poor consumption appetite and disruption in supply chain in the PRC.

The decrease was also due to the decrease in Property Development and Investment. During the Last Year, the PRC government implemented several policies to cool down the overheating in the property market. As a result, property market suffered and people began to lose confident on property market. This resulted the decrease in revenue for the Property Development and Investment business.

## **Gross (loss) profit and gross (loss) profit margin**

Gross loss was approximately RMB344.7 million for the Current Year (Last Year: gross profit approximately RMB74.1 million), with gross loss margin of approximately 21.0% (Last Year: gross profit margin approximately 2.1%). The decrease in gross profit and gross profit margin was attributable to provision for write-down of properties held for sales of approximately of RMB469.3 million (Last year: approximately RMB109.6 million) recognised by the Group during the Current Year. Excluding the effect on provision for write-down of properties held for sale, the gross profit was approximately RMB124.6 million (Last Year: approximately RMB183.7 million) and the gross profit margin was 7.6% (Last Year: 5.2%).

## **Selling and distribution expenses**

For the Current Year, selling and distribution expenses decreased by approximately RMB27.6 million or 27.0% to approximately RMB74.8 million, or 4.6% of revenue for the Current Year, from approximately RMB102.4 million, or 2.9% of revenue for the Last Year. The decrease was primarily due to the decrease in commission expenses, consultancy fees and freight and insurance expenses.

## **Administrative expenses**

For the Current Year, administrative expenses decreased by approximately RMB72.4 million or 23.7% to approximately RMB232.8 million or 14.2% of revenue of the Current Year, from approximately RMB305.2 million, or 8.7% of revenue for the Last Year, was due to decrease in staff costs, professional fees, provision for litigation and other expenses.

## **Finance costs**

Finance costs for the Current Year was approximately RMB1,305.5 million (Last Year: approximately RMB1,097.3 million). The increase was primarily due to decrease in interest expense capitalised into investment properties under construction and properties under development for sales since most of the investment properties under construction and properties under development for sales were suspended due to liquidity issues. Besides, the increase was also due to accrual for penalty interests and provision for liquidated damage for certain loan agreements as disclosed in note 14.

## **Change in fair value of investment properties**

During the Current Year, the Group recorded loss on changes in fair value of investment properties of approximately RMB1,187.1 million compared to a loss of approximately RMB372.7 million in the Last Year as a result of the decrease in fair value of investment properties held by the Group as at 31 December 2022.

## **Impairment loss of property, plant and equipment**

The Group conducted a review of the Group's property, plant and equipment and determined that a number of assets were impaired, primarily due to closure of certain production lines of solar photovoltaic products because of the change in technology and less orders for products produced by such production facilities. The Group also assessed the recoverable amount of property, plant and equipment of other loss-making units and recognised total impairment losses of approximately RMB207.3 million during the Current Year (Last Year: approximately RMB58.1 million).

## **Loss for the year**

As a combined effect of the above, during the Current Year, the Group recorded a loss attributable to shareholders of the Company of approximately RMB2,822.3 million, as compared to a loss of approximately RMB1,778.0 million for the Last Year.

## **Liquidity, financial resources and capital structure**

### *Shareholders' funds*

Total shareholders' funds had recorded deficiency of approximately RMB3,667.1 million as at 31 December 2022, as compared to deficiency of approximately RMB844.9 million as at 31 December 2021.

### *Financial position*

As at 31 December 2022, the Group had current assets of approximately RMB5,560.6 million (31 December 2021: approximately RMB8,570.1 million) comprising cash and cash equivalents of approximately RMB59.7 million (31 December 2021: approximately RMB152.2 million), and current liabilities of approximately RMB14,547.7 million (31 December 2021: approximately RMB15,986.7 million). The Group's current ratio (defined as current assets divided by current liabilities) was 0.38 (31 December 2021: 0.54).

Our gearing ratio, expressed as a percentage of interest-bearing liabilities to total assets, was at 61.4% as at 31 December 2022 as compared to 70.5% as at 31 December 2021.

### *Cash and cash equivalents*

As at 31 December 2022, our Group had cash and cash equivalents of approximately RMB59.7 million (31 December 2021: approximately RMB152.2 million), most of which were denominated in Renminbi.

### *Borrowings*

As at 31 December 2022, the Group had interest-bearing bank borrowings and other borrowings of approximately RMB6,724.1 million (31 December 2021: approximately RMB11,017.2 million). Of these borrowings, approximately RMB6,575.9 million (31 December 2021: approximately RMB10,763.1 million) were secured by the Group's assets. Most of the borrowings were denominated in Renminbi.

## **Capital expenditure**

For the Current Year, the Group's capital expenditure mainly represents additions to investment properties, property, plant and equipment and right-of-use assets totaling of approximately RMB116.6 million (Last Year: approximately RMB658.5 million).

## **Pledge of assets**

As at 31 December 2022, the Group's property, plant and equipment, right-of-use assets, property held for sale, investment properties, inventories, pledged bank deposits and restricted bank balances with carrying amounts of approximately RMB382.6 million, RMB208.3 million, RMB2,954.5 million, RMB3,713.2 million, RMB10.0 million, RMB0.4 million and RMB33.1 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

The Group is exposed to foreign currency risk on bank balances and cash, trade and other receivables, trade and other payables and borrowings that are denominated in currencies other than the functional currency of the operations to which they relate. The Directors ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates.

## **CAPITAL COMMITMENT**

As at 31 December 2022, the Group had a total capital commitment of approximately RMB1,244.5 million (31 December 2021: approximately RMB2,047.6 million), mainly comprising the related contracts of capital expenditure for property development and investment projects and acquisition of property, plant and equipment.

## **CONTINGENT LIABILITIES**

As at 31 December 2022, the Group has several outstanding legal proceedings with creditors, construction contractors, customers and suppliers against the Group in the PRC. Apart from disclosed in note 14, the Directors consider that all legal proceedings raised in daily operations would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

## **STAFF**

As at 31 December 2022, the Group had a total staff of 2,130 (31 December 2021: 2,557).

The Group provides employee benefits such as staff insurance, retirement schemes and discretionary bonus and also provides in-house training programmes and external training sponsorship.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group has no material acquisition or disposal of subsidiaries during the Current Year.

On 8 September 2022, Jiangsu People’s Court issued a “Decision on the Designation of Bankruptcy Administrator”, Huajun Wuxi Bankrupt Liquidation Team established by the management committee of the former Wuxi Taihu National Tourism Resort\* (前無錫太湖國家旅遊度假區) was designated as the bankruptcy administrator of the liquidation case of Huajun Wuxi. As a result of the bankrupt liquidation petition against Huajun Wuxi and the appointment of Bankruptcy Administrator, the Company has effectively lost the control over Huajun Wuxi and the results of operations and financial position of Huajun Wuxi have not been consolidated into the consolidated financial statements of the Company as Huajun Wuxi is considered no longer a subsidiary of the Company since September 2022 (the “**Huajun Wuxi Liquidation**”). For further details, please refer to the announcement of the Company dated 26 September 2022.

## CORPORATE GOVERNANCE

The Company has applied the principles and complied with all applicable code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) for the Current Year, save and except for the Code Provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual due to the personal reason of our Chairman, Mr. Meng Guang Bao.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Starting from 30 December 2022, Mr. Yan Ruijie is re-designated as the Acting Chairman and the CEO of the Company. He has been managing the Group’s business and supervising the overall operations of the Group since 2021. The Board considers that vesting the roles of the Chairman and the CEO in Mr. Yan is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. As at 31 December 2022, the Board has a total of five Directors and three of them are INEDs who are qualified professionals and/or experienced individuals. As all major decisions are made in consultation with all the Board members who meet on a regularly basis to review the operations of the Group, and shall be approved by majority approval of the Board, with the three INEDs on the Board scrutinising important decisions and offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and consider splitting the roles of the Chairman and the CEO at a time when it is appropriate and suitable by considering the circumstances of the Group as a whole.

## **EXTRACT FROM INDEPENDENT AUDITOR'S REPORT PREPARED BY THE INDEPENDENT AUDITOR**

The following's an extract of the independent auditor's report on the Group's financial statements for the year ended 31 December 2022:

### **DISCLAIMER OF 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**

#### **Multiple Uncertainties Relating to Going Concern**

As described in note 2 to the consolidated financial statements, the Group incurred net loss of approximately RMB2,828,391,000 for the year ended 31 December 2022 and as at 31 December 2022, the Group had net current liabilities and net liabilities of approximately RMB8,897,107,000 and RMB3,667,098,000 respectively, which included principals, interest and penalty payables with carrying amounts of approximately RMB6,724,068,000 and RMB2,022,363,000 respectively, of which principals of approximately RMB6,609,578,000 in total were in default and therefore the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2022. Therefore, the Group was involved in a number of litigations in relation to other defaulted loans together with accrued interest payables above of approximately RMB8,383,229,000 have been overdue and are included in current liabilities in the consolidated statement of financial position.

These conditions, together with other matters as described in notes 2 and 32 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Directors have been undertaking a number of plans and measures to improve the Group's liquidity and financial position to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future.

The consolidated financial statements had been prepared on a going concern basis, the validity of which depends on the results of the successful implementation and outcome of the measures as detailed in note 2 to the consolidated financial statements, to be undertaken by the Group.

However, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the events or conditions underpinning the cash flow forecast of the Group for going concern assessment are reasonable and supportable because of (i) the lack of sufficient supporting basis from the management including the consent from lenders to continue the development of certain frozen property projects, the ability to secure additional funding to complete the construction works in order to realise the maximum premium from sale of those projects; (ii) the lack of



detailed analyses from the 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 those plans and measures and how variability in outcome would affect the future cash flows of the Group; and (iii) the lack of sufficient basis that the improvement of future operating results and cash flows would be realised. Hence, we were unable to satisfy ourselves about the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated financial statements by the management of the Group.

In view of the extent of the material uncertainties relating to the results of those measures to be taken by the Group which might cast significant doubt on the Group's ability to continue as a going concern, we have disclaimed our opinion on the consolidated financial statements.

Should the going concern assumption be inappropriate, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors ("**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Current Year.

## **AUDIT COMMITTEE**

The audit committee comprises three Independent Non-executive Directors and reports directly to the Board. The audit committee meets regularly with the Group's senior management and the Company's external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2022 as set out in this announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the Current Year, the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares.

## **SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

Except as disclosed in note 16, the Group has no significant events after 31 December 2022.

## **DIVIDEND**

The Board did not recommend the payment of a final dividend for the Current Year (the Last Year: Nil).

## **CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING**

The AGM of the Company will be held on Wednesday, 28 June 2023. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023 (both dates inclusive). No transfer of the Shares may be registered on those dates. Shareholders whose names appear on the register of members of the Company on Friday, 23 June 2023 shall be entitled to attend and vote at the AGM. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 21 June 2023.

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

The results announcement of the Company is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinahuajungroup.com>). The 2022 annual report of the Company will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board  
**China Huajun Group Limited**  
**Yan Ruijie**

*Acting Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 31 March 2023

*As at the date of this announcement, the Board comprises Mr. Meng Guang Bao (suspension of duties and powers), Mr. Yan Ruijie and Ms. Chen Yun as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.*

*If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.*

*\* For identification purpose only*