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Bay Area Gold Group Limited

灣區黃金集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 1194)

(In Compulsory Liquidation in Hong Kong)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

Bay Area Gold Group Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4(a)	493,590	1,453,472
Cost of sales		(471,381)	(1,202,492)
Gross profit		22,209	250,980
Other income and gains, net	5	6,934	7,062
Administrative expenses		(60,022)	(119,346)
Selling and distribution costs		(5,093)	(20,861)
Impairment loss on goodwill		—	(7,225)
Impairment loss on mining rights		—	(1,334,671)
Impairment loss on trade and other receivables		(2,086)	(169,227)
Impairment loss on fixed assets		—	(933,770)
Impairment loss on deposits paid for gold mining rights		—	(146,469)
Impairment loss on deposits paid for acquisition of fixed assets		—	(62,948)
Write-off of fixed assets		—	(30,728)
Provision for loan guarantees		(3,196,999)	—
Loss on deconsolidation of subsidiaries		(5,624,602)	—

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Loss from operations		(8,859,659)	(2,567,203)
Finance costs	<i>6(a)</i>	(221,707)	(336,720)
Share of profit of an associate		1,125	2,011
		<hr/>	<hr/>
Loss before tax	<i>6</i>	(9,080,241)	(2,901,912)
Income tax expense	<i>7</i>	(1,045)	(5,563)
		<hr/>	<hr/>
Loss for the year attributable to owners of the Company		<u>(9,081,286)</u>	<u>(2,907,475)</u>
		 2021	 2020
		HK\$	HK\$
Loss per share attributable to owners of the Company for the year	<i>9</i>		
Basic loss per share		<u>(30.47)</u>	<u>(9.79)</u>
		<hr/>	<hr/>
Diluted loss per share		<u>N/A</u>	<u>N/A</u>
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(Expressed in Hong Kong Dollars)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year	<u>(9,081,286)</u>	<u>(2,907,475)</u>
Other comprehensive (expense)/income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	41,330	258,648
Reclassification of exchange reserve upon deconsolidation of subsidiaries	<u>(51,893)</u>	<u>—</u>
	<u>(10,563)</u>	<u>258,648</u>
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value (loss)/gain on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of tax	<u>(21,287)</u>	<u>18,370</u>
	<u>(21,287)</u>	<u>18,370</u>
Other comprehensive (expense)/income for the year	<u>(31,850)</u>	<u>277,018</u>
Total comprehensive expenses for the year attributable to owners of the Company	<u><u>(9,113,136)</u></u>	<u><u>(2,630,457)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(Expressed in Hong Kong dollars)

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Intangible assets		500	4,551,032
Fixed assets		84	4,387,667
Right-of-use assets		—	35,266
Investment in an associate		—	15,067
Investments in equity instruments at fair value through other comprehensive income		—	329,183
Deposits paid for acquisition of fixed assets		—	55,971
Other deposits		200	1,056
		<hr/>	<hr/>
Total non-current assets		784	9,375,242
Current assets			
Inventories		—	231,753
Trade and other receivables	<i>10</i>	50,226	158,514
Deposits and prepayments		1,421	108,696
Financial assets at fair value through profit or loss		—	43,949
Income tax recoverable		45	—
Pledged deposits		—	77,207
Client trust bank balances		4,112	2,916
Cash and bank balances		8,389	89,048
		<hr/>	<hr/>
Total current assets		64,193	712,083
Current liabilities			
Trade and other payables	<i>11</i>	272,644	1,491,895
Contract liabilities	<i>11</i>	848	46,950
Provisions	<i>12</i>	3,248,892	—
Bank and other borrowings		1,252,567	1,276,968
Derivative financial instruments		—	26,612
Convertible bonds		—	289,982
Lease liabilities		—	1,556
Income tax payable		—	12,967
		<hr/>	<hr/>
Total current liabilities		4,774,951	3,146,930

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Net current liabilities	<u>(4,710,758)</u>	<u>(2,434,847)</u>
Total assets less current liabilities	<u>(4,709,974)</u>	<u>6,940,395</u>
Non-current liabilities		
Bank and other borrowings	—	1,947,327
Lease liabilities	—	813
Deferred tax liabilities	—	590,840
	<u>—</u>	<u>2,538,980</u>
Total non-current liabilities	<u>—</u>	<u>2,538,980</u>
NET (LIABILITIES)/ASSETS	<u><u>(4,709,974)</u></u>	<u><u>4,401,415</u></u>
CAPITAL AND RESERVES		
Share capital	298	297
Reserves	<u>(4,710,272)</u>	<u>4,401,118</u>
	<u><u>(4,709,974)</u></u>	<u><u>4,401,415</u></u>

NOTES

1. GENERAL INFORMATION

Bay Area Gold Group Limited (the “**Company**”) was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The address of its registered office and principal place of business are disclosed in the corporate information section of the annual report. During the year, the Group was principally engaged in mining and processing of gold ores and sale of gold products in the People’s Republic of China (the “**PRC**”), trading of metals and minerals in the PRC, and provision of financial services business in Hong Kong and the PRC, including asset management, securities brokerage, financing and advisory services.

Suspension of trading of the Company’s shares

Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) has been suspended since 1 April 2022 and has not resumed as at the date of this announcement.

Winding up Petition

On 18 August 2021, the Company received a petition (the “**Petition**”) dated 16 August 2021 filed by an individual bondholder of the Company (the “**Petitioner**”) against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the “**High Court**”).

Winding up Order

On 31 August 2022, the Company was ordered to be wound up by the High Court and the Official Receiver became the Provisional Liquidator of the Company.

Appointment of the Joint and Several Liquidators

On 21 December 2022, Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung, both of Acclime Corporate Advisory (Hong Kong) Limited (formerly known as RSM Corporate Advisory (Hong Kong) Limited), were appointed as the Joint and Several Liquidators of the Company with the power to act jointly and severally pursuant to the order made by the High Court.

Proposed Restructuring of the Group

On 11 September 2023, Able Reliance Limited (the “**Investor**”) (as lender), the Company (as borrower) and the Joint and Several Liquidators entered into an agreement (the “**Funding Agreement**”), pursuant to which the Investor unconditionally agreed to grant a credit facility for a total sum of up to HK\$13,000,000 to the Company subject to and upon the terms and conditions of the Funding Agreement to, among others, facilitate the preparation and implementation of the Restructuring and Resumption Proposal of the Company.

On 27 September 2023, the Company and the Joint and Several Liquidators entered into the restructuring framework agreement (as amended and supplemented by a supplemental restructuring framework agreement dated 10 November 2023) (the “**Restructuring Framework Agreement**”) with the Investor, pursuant to which the Company will implement a restructuring of the Company’s capital, business and indebtedness (the “**Proposed Restructuring**”).

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises among other things: (i) the Capital Reorganisation; (ii) the Creditors Scheme; and (iii) the Subscription.

A conditional subscription agreement dated 27 September 2023 (as amended and supplemented by a supplemental subscription agreement dated 10 November 2023) (the “**Subscription Agreement**”) entered into between the Investor (as subscriber), the Company (as issuer) and the Joint and Several Liquidators in relation to the subscription of a total 5,000,000,000 new shares at the total subscription price of HK\$50,000,000 (representing a subscription price of HK\$0.01 per new share).

On 27 September 2023, the Investor (as lender), the Company (as borrower) and the Joint and Several Liquidators entered into a working capital facility agreement (the “**Working Capital Facility Agreement**”) for the purpose of providing a revolving loan facility of not less than a total principal amount of up to HK\$300,000,000 for financing the general working capital requirements of the Group upon the resumption of trading of the Company’s shares on the Stock Exchange.

Following entering into the Funding Agreement, Restructuring Framework Agreement, the Subscription Agreement and the Working Capital Facility Agreement, the Company has submitted a resumption proposal to the Stock Exchange for the purpose of fulfilling the resumption guidance imposed by the Stock Exchange on 9 June 2022 and seeking resumption of trading of its shares on the Stock Exchange.

Up to the date of this announcement, the Restructuring Framework Agreement, the Subscription Agreement and the Working Capital Facility Agreement remain substantially unchanged and in full force and effect in all respects.

Capital Reorganisation

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders of the Company, the capital reorganisation. The capital reorganisation will comprise:

- (i) every ten (10) issued shares of the Company of HK\$0.001 each will be consolidated (the “**Share Consolidation**”) into one (1) consolidated share of HK\$0.01 each (the “**Consolidated Share(s)**”);
- (ii) immediately after the Share Consolidation becoming effective, the share capital of the Company will be reduced whereby:
 - (1) where applicable, any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and
 - (2) the amount then standing to the credit of the Share Premium Account be reduced to nil and that the credit arising therefrom be transferred to the contributed surplus account of the Company within the meaning of the Companies Act.

Immediately following the Share Consolidation, the Company’s authorised share capital will become HK\$500,000,000 divided into 50,000,000,000 Consolidated Shares of HK\$0.01 each, and the issued share capital will be HK\$298,242.94 divided into 29,824,294 Consolidated Shares of HK\$0.01 each.

Creditors Scheme

Pursuant to the terms of the Restructuring Framework Agreement, it is proposed that the Creditors Scheme will be implemented after the fulfilment of the terms and conditions of the Creditors Scheme as set out in the scheme document for the Creditors Scheme. Upon the Creditors Scheme becoming effective, the Creditors shall accept the scheme consideration in full and all the debts claimed by the Creditors will be discharged and released in full.

Subscription

Pursuant to the terms of the Restructuring Framework Agreement and the Subscription Agreement, a subscription of the Company's new ordinary shares will be implemented. The Investor hereby undertakes to the Company that it shall subscribe for a total of 5,000,000,000 Subscription Shares at the total subscription price of HK\$50,000,000 (representing a subscription price of HK\$0.01 per Consolidated Share) by entering into the Subscription Agreement, which shall be satisfied (i) by way of cash to the Company; and/or (ii) by way of set-off against the outstanding amounts under the Funding Agreement in whole or in part on a dollar-for-dollar basis.

Details of the transactions contemplated under the Proposed Restructuring shall be referred to the joint announcement of the Company and the Investor dated 10 November 2023.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. 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. The consolidated financial statements also 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

The Group incurred net loss of approximately HK\$9,081,286,000 for the year ended 31 December 2021 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK\$4,709,974,000 and the current liabilities of the Group at 31 December 2021 exceed its current assets at that date by approximately HK\$4,710,758,000. Included in the Group's current liabilities at 31 December 2021 are bank and other borrowings amounted to approximately HK\$1,252,567,000, substantially all of which represent the overdue borrowings due for immediate repayments, and provision for loan guarantees amounted to approximately HK\$3,248,892,000. In addition, the Group had recorded accrued interests payable amounted to approximately HK\$88,893,000 on bank and other borrowings at 31 December 2021 which was included in trade and other payables classified under current liabilities. However, the Group had cash and bank balances amounted to approximately HK\$8,389,000 at 31 December 2021.

The Group had significant cash shortfall of approximately HK\$1,333,071,000 at 31 December 2021, which was calculated as the difference between the aggregate of the current portion of bank and other borrowings and the accrued interests payable at 31 December 2021 and the Group's cash and bank balances as at that date.

Notwithstanding that the aforementioned, the directors of the Company consider it appropriate for the preparation of the consolidated financial statements on a going concern basis after taking into account of the following circumstances and measures to be implemented:

- (a) On 11 September 2023, the Company entered into the Funding Agreement with and the Joint and Several Liquidators and the Investor, an independent third party, pursuant to which the Investor has agreed to provide a credit facility for a total sum of up to HK\$13,000,000 (the “**Loan**”) to the Company to meet the Group’s liabilities and obligations. The Loan drawn down by the Company is unsecured, interest free and is repayable on the earliest of: (i) the date on which any scheme for the restructuring of the debts of the Company becomes effective and (ii) the date of upon the termination of the Funding Agreement in accordance with terms and conditions therein. Up to the date of approval of this announcement, the credit facility to the extent of approximately HK\$5,700,000 has been drawn down by the Company. Details regarding the Funding Agreement are set out in the announcements dated 11 September 2023 and 29 September 2023 made by the Company;
- (b) On 27 September 2023, the Company and the Joint and Several Liquidators entered into the Restructuring Framework Agreement with the Investor, pursuant to which the Company will implement a restructuring of the Company’s capital, business and indebtedness. The Company will carry out the Proposed Restructuring which comprises among other things: (i) the Capital Reorganisation; (ii) the Creditors Scheme; and (iii) the Subscription; and
- (c) Management of the Group will closely monitor the financial position of the Group and will make every effort to (i) generate adequate cash flows from its continuing operations; and (ii) secure funds as may be necessary to finance the business operations of the Group and repayment of existing debts when they fall due in the foreseeable future.

Multiple uncertainties regarding the Group’s ability to operate as a going concern exist as to whether management of the Group will be able to achieve its plans and measures as described above.

Based on the cash flow projections of the Group for at least twelve months from the date of this announcement and having taken into account the assumption that the Proposed Restructuring, as mentioned above, will be successfully completed, management of the Company is of the view that the Group and the Company is able to continue as a going concern and to meet their financial obligation as and when they fall due for the foreseeable future.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 period 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

The application 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 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:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ⁴
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKFRSs Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ⁵
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

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

⁴ Effective for annual periods beginning on or after 1 April 2021.

⁵ Effective for annual periods beginning on or after 1 January 2024.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers arising from Gold Mining Operation		
Sale of		
— Gold products	479,870	990,972
— Other by-products	13,638	42,091
	<u>493,508</u>	<u>1,033,063</u>
Revenue from contracts with customers arising from Trading of Metals and Minerals		
— Sale of metals and minerals	—	419,309
	<u>—</u>	<u>419,309</u>
Revenue from contracts with customers arising from Financial Services Operation		
— Income from management services and brokerage services rendered	82	1,100
	<u>82</u>	<u>1,100</u>
Total revenue	<u>493,590</u>	<u>1,453,472</u>
Timing of revenue recognition		
At point in time	493,508	1,452,372
Over time	82	1,100
	<u>493,590</u>	<u>1,453,472</u>

Information about the Group's performance obligations is summarised below:

Sales of gold products and other by-products

The performance obligation is satisfied upon delivery of goods.

Sales of metals and minerals

The performance obligation is satisfied upon delivery of goods.

Management services

The performance obligation is satisfied upon services are rendered.

Brokerage services

The performance obligation is satisfied upon services are rendered.

(b) Segment Information

The executive directors of the Company are regarded as the chief operating decision-makers. The executive directors review the Group's financial information mainly from business nature and geographical perspectives.

During the year ended 31 December 2021, the Group lost control and deconsolidated certain subsidiaries which were engaged in gold mining operating and trading of metals and minerals. Having considered a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan and resources for the Group, the executive directors consider it is appropriate to maintain the Group's business with the existing three segments as described below.

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

- (i) mining and processing of gold ores and sales of gold products and other by-products (the "**Gold Mining Operation**");
- (ii) purchase and sales of metals and minerals (the "**Trading of Metals and Minerals**"); and
- (iii) provision of financial services including asset management, securities brokerage, financing and advisory services (the "**Financial Services Operation**").

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 profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income and finance costs are excluded from such measurement.

All assets are allocated to reportable operating segments.

Segment liabilities exclude bank and other borrowings, convertible bonds and their related derivative financial instruments and other unallocated corporate liabilities as these liabilities are managed on a group basis.

More than 99% of the Group's revenue was derived from activities in the PRC and its principal assets were located in the PRC during the reporting period. Accordingly, no analysis by geographical information is provided.

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

	For the year ended 31 December 2021				For the year ended 31 December 2020			
	Gold Mining Operation HK\$'000	Trading of Metals and Minerals HK\$'000	Financial Services Operation HK\$'000	Consolidated HK\$'000	Gold Mining Operation HK\$'000	Trading of Metals and Minerals HK\$'000	Financial Services Operation HK\$'000	Consolidated HK\$'000
Segment revenue								
— External sales	493,508	—	82	493,590	1,033,063	419,309	1,100	1,453,472
— Inter-segment sales	—	—	—	—	—	—	—	—
	<u>493,508</u>	<u>—</u>	<u>82</u>	<u>493,590</u>	<u>1,033,063</u>	<u>419,309</u>	<u>1,100</u>	<u>1,453,472</u>
Segment profit/(loss)	<u>(36,365)</u>	<u>—</u>	<u>(676)</u>	<u>(37,041)</u>	<u>(2,403,497)</u>	<u>426</u>	<u>(163,286)</u>	<u>(2,566,357)</u>
Reconciliation:								
Interest income				108				1,165
Finance costs				(221,707)				(336,720)
Provision for loan guarantees				(3,196,999)				—
Loss on deconsolidation of subsidiaries				(5,624,602)				—
Loss before tax				<u>(9,080,241)</u>				<u>(2,901,912)</u>
Other segment information								
Capital expenditures	416	—	—	416	173,166	—	—	173,166
Depreciation and amortisation	137,077	—	13	137,090	253,575	—	42	253,617
Impairment loss on goodwill	—	—	—	—	—	—	7,225	7,225
Impairment loss on mining rights	—	—	—	—	1,334,671	—	—	1,334,671
Impairment loss on fixed assets	—	—	—	—	933,770	—	—	933,770
Impairment loss on deposits paid for gold mining rights	—	—	—	—	146,469	—	—	146,469
Impairment loss on trade and other receivables	2,086	—	—	2,086	26,407	—	142,820	169,227
Impairment loss on deposits paid for acquisition of fixed assets	—	—	—	—	62,948	—	—	62,948
Write-off of fixed assets	—	—	—	—	30,728	—	—	30,728
Share of profit of an associate	—	—	1,125	1,125	—	—	2,011	2,011

The following is an analysis of the Group's assets and liabilities by reportable segments:

	At 31 December 2021				At 31 December 2020			
	Gold Mining Operation <i>HK\$'000</i>	Trading of Metals and Minerals <i>HK\$'000</i>	Financial Services Operation <i>HK\$'000</i>	Total <i>HK\$'000</i>	Gold Mining Operation <i>HK\$'000</i>	Trading of Metals and Minerals <i>HK\$'000</i>	Financial Services Operation <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	<u>54,339</u>	<u>—</u>	<u>10,638</u>	<u>64,977</u>	<u>9,722,562</u>	<u>—</u>	<u>364,763</u>	10,087,325
Corporate and other unallocated assets				<u>—</u>				<u>—</u>
Total assets				<u>64,977</u>				<u>10,087,325</u>
Segment liabilities	<u>269,534</u>	<u>—</u>	<u>3,958</u>	<u>273,492</u>	<u>2,102,060</u>	<u>—</u>	<u>42,962</u>	2,145,022
Corporate and other unallocated liabilities				<u>4,501,459</u>				<u>3,540,888</u>
Total liabilities				<u>4,774,951</u>				<u>5,685,910</u>

Revenues from customers contributing 10% or more of the total revenue of the Group are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from Gold Mining Operation		
Customer A	93,727	206,921
Customer B	121,170	N/A*
Customer C	51,907	N/A*
	<u>166,804</u>	<u>206,921</u>

* The transactions with these respective customers for the year ended 31 December 2020 did not contribute 10% or more of total revenue of the Group for that year.

5. OTHER INCOME AND GAINS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income		
Bank interest income	108	1,165
Waiver of other payables	—	1,890
Government subsidies	—	909
Recovery of bad debts	—	229
Sundry income	4,444	2,162
	<u>4,552</u>	<u>6,355</u>
Other gains and losses		
Exchange gain, net	2,730	1,081
Loss on disposal of fixed assets	(353)	(429)
Gain on termination of lease	—	55
Fair value gain on financial assets at fair value through profit or loss	5	—
	<u>2,382</u>	<u>707</u>
Other gains, net	<u>2,382</u>	<u>707</u>
Other income and gains, net	<u><u>6,934</u></u>	<u><u>7,062</u></u>

6. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following items:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(a) Finance costs:		
Interest on bank and other borrowings	212,465	321,673
Interest on convertible bonds	<u>36,754</u>	<u>46,127</u>
Total interest expenses on financial liabilities	249,219	367,800
Less: Interest capitalised into construction in progress	<u>(1,043)</u>	<u>(2,210)</u>
	248,176	365,590
Interest on lease liabilities	—	220
Fair value gain on derivative financial instruments	<u>(26,469)</u>	<u>(29,090)</u>
	<u>221,707</u>	<u>336,720</u>
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	34,473	63,957
Contributions to retirement benefit schemes	<u>5,664</u>	<u>2,909</u>
	<u>40,137</u>	<u>66,866</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
(c) Other items:		
Cost of inventories sold under Gold Mining Operation <i>(note below)</i>	471,381	783,609
Cost of inventories sold under the Trading of Metals and Minerals	<u>—</u>	<u>418,883</u>
Total cost of sales	471,381	1,202,492
Amortisation of intangible assets	44,562	120,357
Auditor's remuneration		
— audit service	1,000	2,900
— non-audit service	590	590
Depreciation and amortisation of fixed assets	92,528	129,188
Depreciation of right-of-use assets	—	4,072
Lease payments for short term leases	<u>12,408</u>	<u>9,680</u>

Note:

Cost of inventories sold under the Gold Mining Operation includes HK\$13,344,000 (2020: HK\$276,350,000) relating to staff costs, depreciation and amortisation expenses, which amounts are also included in the respective total amounts disclosed separately above for each of these expenses.

7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC Enterprise Income Tax		
— Current tax	1,045	8,462
— Under-provision in prior year	<u>—</u>	<u>613</u>
	<u>1,045</u>	<u>9,075</u>
Deferred tax credit	<u>—</u>	<u>(3,512)</u>
Income tax expense	<u>1,045</u>	<u>5,563</u>

Notes:

- (a) PRC Enterprise Income Tax is calculated at 25% (2020: 25%) of the assessable profits of the Group's subsidiaries operating in the PRC.
- (b) No provision for Hong Kong profits tax has been made for the years ended 31 December 2021 and 2020 as the Group did not have any assessable profit for both years subject to Hong Kong profits tax.
- (c) Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is exempted from any income tax in Bermuda, the Cayman Islands and the BVI.

8. DIVIDEND

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

9. LOSS PER SHARE

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

	2021 <i>HK'000</i>	2020 <i>HK'000</i>
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	<u>(9,081,286)</u>	<u>(2,907,475)</u>
	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares for the purpose of basic loss per share		
Weighted average number of ordinary shares in issue	<u>298,007</u>	<u>297,083</u>

No diluted loss per share for the years ended 31 December 2021 and 2020 is presented as the effect of convertible bonds is anti-dilutive and there were no other potential ordinary shares in issue for both of the years.

10. TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and loan receivables	(a)		
Gross amount		—	163,095
Less: Impairment losses recognised		—	(119,985)
		<u>—</u>	<u>43,110</u>
Other receivables			
Gross amount		52,312	169,708
Less: Impairment losses recognised		(2,086)	(54,304)
		<u>50,226</u>	<u>115,404</u>
Trade and other receivables, net amount		<u>50,226</u>	<u>158,514</u>

(a) Trade and loans receivables

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables under the Gold Mining Operation, gross amount		—	43,864
Less: Impairment losses recognised		—	(1,205)
	(b)	<u>—</u>	<u>42,659</u>
Trade and loans receivables under the Financial Services Operation		—	119,231
Less: Impairment losses recognised		—	(118,780)
	(c)	<u>—</u>	<u>451</u>
Trade and loans receivables, net		<u><u>—</u></u>	<u><u>43,110</u></u>

(b) Trade receivables under the Gold Mining Operation

The aged analysis of the trade receivables under the Gold Mining Operation (net of impairment losses) based on invoice date at end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than two months	—	34,346
More than two months but less than four months	—	526
More than four months but less than six months	—	—
More than six months but less than one year	—	2,353
More than one year	—	5,434
	<u>—</u>	<u>42,659</u>

The Group generally requires the customers to make payment on the date of delivery of products or within 7 days after delivery of products. Credit term within several months which is determined by per-transaction basis with reference to the product is granted to the customers with high credibility.

(c) Trade and loans receivables under the Financial Services Operation

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from securities brokerage business:		
— Cash clients (<i>note (i)</i>)	—	44
— Hong Kong Securities Clearing Company Limited (“HKSCC”), net (<i>note (i)</i>)	—	258
— Accounts receivable arising from other services (<i>note (ii)</i>)	—	149
	<u>—</u>	<u>451</u>

Notes:

- (i) The settlement terms of the receivables arising from cash clients and HKSCC are one or two trade days after the trade execution date. These receivables are not past due at the end of the reporting period.
- (ii) Accounts receivable arising from the other services are receivable in accordance with the contract terms.

Aged analysis of receivables arising from securities brokerage business is not presented as management of the Company considered that the aged analysis does not give additional value in view of the nature of this business.

11. TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	<i>(a)</i>	—	193,694
Accrued charges and other payables		<u>254,981</u>	<u>1,123,109</u>
Financial liabilities measured at amortised cost		254,981	1,316,803
Deposits received on disposal of subsidiaries		17,663	17,633
Deposits received on capital injection of a subsidiary		—	118,780
Receipts in advance		<u>—</u>	<u>38,679</u>
		<u>272,644</u>	<u>1,491,895</u>
Contract liabilities — receipts in advance from customers		<u>848</u>	<u>46,950</u>

(a) Trade payables

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables under the Gold Mining Operation	<i>(b)</i>	—	190,495
Trade payables under the Financial Services Operation	<i>(c)</i>	<u>—</u>	<u>3,199</u>
		<u>—</u>	<u>193,694</u>

(b) Trade payables under the Gold Mining Operation

The aged analysis of trade payables under the Gold Mining Operation based on invoice date at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Less than three months	—	36,446
More than three months but less than one year	—	48,813
More than one year	<u>—</u>	<u>105,236</u>
	<u>—</u>	<u>190,495</u>

(c) Trade payables under the Financial Services Operation

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables under securities brokerage business:		
— Cash clients (<i>note (i)</i>)	—	2,678
— Margin clients (<i>note (ii)</i>)	—	521
	<u>—</u>	<u>3,199</u>
	<u>—</u>	<u>3,199</u>

Notes:

(i) The settlement terms of trade payables under securities brokerage business are two days after the trade date. Trade payables to cash clients also include those payables arose from clients' cash deposits (client trust bank balances) for securities brokerage transactions. No aged analysis is presented as management of the Company considered the aged analysis does not give additional value in view of the nature of these trade payables.

(ii) Payables to margin clients are repayable on demand.

12. PROVISIONS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At beginning of the year	—	—
Provision for the year	3,196,999	—
Exchange realignment	51,893	—
	<u>3,248,892</u>	<u>—</u>
At end of the year	<u>3,248,892</u>	<u>—</u>

In prior years, the Company executed guarantees (the “**Loan Guarantees**”) in favour of certain PRC entities and individuals for loans granted by these PRC entities and individuals to certain entities (the “**Former Subsidiaries**”) wholly-owned by the Group. For the year ended 31 December 2020, the Former Subsidiaries were regarded as subsidiaries of the Group and the Loan Guarantees, which were regarded as transactions occurred within the Group, were not accounted for in the Group's consolidated financial statements for that year.

During the year ended 31 December 2021, an independent creditor executed the rights and took over control of the Former Subsidiaries and these Former Subsidiaries were deconsolidated from the Group's consolidated financial statements for the current year from the date of deconsolidation. Having considered the financial position of the Former Subsidiaries and their ability for the repayment of the loans to the PRC entities and individuals, management of the Company is of the view that the Former Subsidiaries are unable to make repayment of the outstanding loans, accordingly, considers it appropriate to recognise provision for loan guarantees amounted to approximately HK\$3,196,999,000 (2020: Nil), which represents the principal amount together with interest thereon of the outstanding loans amounted to a total of approximately RMB2,647,618,000, payable by the Former Subsidiaries as at 31 December 2021 and guaranteed by the Company. The provision for loan guarantees was charged to profit or loss in respect of the year under review.

MATERIAL DIFFERENCES BETWEEN ANNOUNCEMENT OF UNAUDITED MANAGEMENT ACCOUNTS AND AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to Announcement of Unaudited Management Accounts for the year ended 31 December 2021. Since subsequent adjustments have been made to the unaudited management accounts of the Group contained in the Unaudited Management Accounts Announcement for the year ended 31 December 2021 upon completion of the auditing process, shareholders and potential investors of the Company are advised to pay attention to the following material differences between the unaudited management accounts of the Group contained in the Unaudited Annual Results Announcement and the audited annual results of the Group for the year ended 31 December 2021 in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Audited Annual Result for the year ended 31 December 2021 <i>HK\$'000</i>	Unaudited Management Accounts for the year ended 31 December 2021 <i>HK\$'000</i>	Increase/ (decrease) <i>HK\$'000</i>
	<i>Notes</i>			
Revenue	<i>(i)</i>	493,590	—	493,590
Cost of sales	<i>(ii)</i>	(471,381)	—	(471,381)
Gross profit	<i>(iii)</i>	22,209	—	22,209
Other income and gains net	<i>(iv)</i>	6,934	6,492	442
Administrative expenses	<i>(v)</i>	(60,022)	(16,977)	(43,045)
Selling and distribution costs	<i>(vi)</i>	(5,093)	—	(5,093)
Impairment loss on trade and other receivables	<i>(vii)</i>	(2,086)	—	(2,086)
Provision for loan guarantees	<i>(viii)</i>	(3,196,999)	—	(3,196,999)
Loss on deconsolidation of subsidiaries	<i>(ix)</i>	(5,624,602)	—	(5,624,602)
Finance costs	<i>(x)</i>	(221,707)	(88,624)	(133,083)
Share of profit of an associate	<i>(xi)</i>	1,125	—	1,125
Income tax expense	<i>(xii)</i>	(1,045)	—	(1,045)
Loss for the year from the discontinued operations		—	(9,738,579)	9,738,579

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		Audited Annual Result for the year ended 31 December 2021 <i>HK\$'000</i>	Unaudited Management Accounts for the year ended 31 December 2021 <i>HK\$'000</i>	Increase/ (decrease) <i>HK\$'000</i>
	<i>Notes</i>			
Exchange difference on translation of foreign operations	<i>(xiii)</i>	41,330	116,576	(75,246)
Reclassification of exchange reserve upon deconsolidation of subsidiaries	<i>(xiii)</i>	(51,893)	—	(51,893)
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”), net of tax	<i>(xiv)</i>	(21,287)	—	(21,287)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Audited Annual Result as at 31 December 2021 <i>HK\$'000</i>	Unaudited Management Accounts as at 31 December 2021 <i>HK\$'000</i>	Increase/ (decrease) <i>HK\$'000</i>
	<i>Notes</i>			
Trade, loans and other receivables, deposits and prepayments	<i>(xv)</i>	51,647	2,710	48,937
Trade and other payables	<i>(xvi)</i>	272,644	210,832	61,812
Contract liabilities	<i>(xvi)</i>	848	62,660	(61,812)
Provisions	<i>(xvii)</i>	3,248,892	3,809,677	(560,785)
Bank and other borrowings (current liabilities)	<i>(xviii)</i>	1,252,567	1,248,767	3,800
Bank and other borrowings (non-current liabilities)	<i>(xviii)</i>	—	3,800	(3,800)
Reserves		(4,710,272)	(5,319,994)	609,722

Notes:

- (i) The difference in “Revenue” was resulted from reallocation of revenue from the “Loss from the discontinued operations”.

- (ii) The difference in “Cost of sales” was resulted from reallocation of cost of sales from the “Loss from the discontinued operations”.
- (iii) The difference in “Gross profit” was resulted from reallocation of revenue and cost of sales from the “Loss from the discontinued operations”.
- (iv) The difference in “Other income and gains” was resulted from reallocation of other income and gains from the “Loss from the discontinued operations”.
- (v) The difference in “Administrative expenses” was resulted from reallocation of administrative expenses from the “Loss from the discontinued operations”.
- (vi) The difference in “Selling and distribution costs” was resulted from reallocation of selling and distribution costs from the “Loss from the discontinued operations”.
- (vii) The difference in “Impairment loss on trade and other receivables” was resulted from reallocation of impairment loss on trade and other receivables from the “Loss from the discontinued operations”.
- (viii) The difference in “Provision for financial guarantee” was resulted from reallocation of provision for financial guarantee from the “Loss from the discontinued operations”.
- (ix) The difference in “Loss on deconsolidation of subsidiaries” was resulted from reallocation of loss on deconsolidation of subsidiaries from the “Loss from the discontinued operations”.
- (x) The difference in “Finance costs” was resulted from reallocation of finance costs from the “Loss from the discontinued operations”.
- (xi) The difference in “Share of profit of an associate” was resulted from reallocation of share of profit of an associate from the “Loss from the discontinued operations”.
- (xii) The difference in “Income tax expense” was resulted from reallocation of Income tax expense from the “Loss from the discontinued operations”.
- (xiii) The difference in “Exchange difference on translation of foreign operations” was resulted from reallocation of “Reclassification of exchange reserve upon deconsolidation of subsidiaries” from the “Exchange difference on translation of foreign operations”.
- (xiv) The difference in “Fair value gain on investments in equity instruments as fair value through other comprehensive income (“FVTOCI”), net of tax” was resulted from reallocation of FVTOCI from the “Loss from the discontinued operations”.
- (xv) The difference in “Trade, loans and other receivables, deposits and prepayments” was resulted from recognition of other receivables from the continued operations.
- (xvi) The difference in “Trade and other payables” was resulted from reallocation of other payables from the “Contract liabilities”.
- (xvii) The difference in “Provisions” was resulted from the over-provision for loan guarantees.
- (xviii) The difference in “Bank and other borrowings of current liabilities” was resulted from reallocation of borrowings from “Bank and other borrowings of non-current liabilities”.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2021:

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 this report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for the 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

(a) Multiple Uncertainties Relating to Going Concern

As disclosed in note 2 to the consolidated financial statements, the Group incurred a loss for the year of approximately HK\$9,081,286,000 and as of 31 December 2021, the Group's total liabilities exceeded its total assets by approximately HK\$4,709,974,000 and the Group's current liabilities exceeded its current assets by approximately HK\$4,710,758,000. Included in the Group's current liabilities at 31 December 2021 are bank and other borrowings amounted to approximately HK\$1,252,567,000, substantially all of which represent the overdue borrowings due for immediate repayments, and provision for loan guarantees amounted to approximately HK\$3,248,892,000. In addition, the Group had recorded accrued interests payable amounted to approximately HK\$88,893,000 on bank and other borrowings at 31 December 2021 which was included in trade and other payables classified under current liabilities. However, the Group had cash and bank balances amounted to approximately HK\$8,389,000 at 31 December 2021.

The Group had significant cash shortfall of approximately HK\$1,333,071,000 at 31 December 2021, which was calculated as the difference between the aggregate of the current portion of bank and other borrowings and the accrued interests payable at 31 December 2021 and the Group's cash and bank balances as at that date.

At the date of approval of these consolidated financial statements, the Group has been taking measures to improve the liquidity and solvency position as well as implementing the proposed restructuring, details of which are set out in note 2 to the consolidated financial statements. The implementation of these measures is still in progress. The consolidated financial statements for the year ended 31 December 2021 have been prepared on the going concern basis. The validity of the going concern assumption on which the consolidated financial statements are prepared is

dependent upon the successful implementation by the Group of its plans and measures, including the completion of the proposed restructuring of the Group and other funding arrangements, if required.

The aforementioned conditions indicate the existence of material multiple uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

(b) Deconsolidation of certain subsidiaries of the Group

During the current year, pursuant to the agreements entered into between the Group and an independent creditor and as a result of the failure of the Group to repay its debts owed to the creditor, the independent creditor executed the rights and took over control of certain entities (the “**Former Subsidiaries**”) wholly-owned by the Company, accordingly, these entities are not controlled by the Group thereafter and their assets, liabilities and results were deconsolidated from the Group's consolidated financial statements.

We were unable to obtain sufficient appropriate audit evidence to assess whether (i) the results of the Former subsidiaries for the year up to the date of deconsolidation are properly consolidated in the Group's consolidated financial statements; (ii) the loss on deconsolidation of subsidiaries amounted to approximately HK\$5,624,602,000 are properly recognised in the consolidated financial statements; and (iii) the related notes inclusive of the Former Subsidiaries are properly disclosed in the consolidated financial statements.

Any adjustments that might be found to be made to the results of the Former Subsidiaries referred to in the aforementioned item (i) would have a corresponding effect to the loss on deconsolidation of subsidiaries referred to in the aforementioned item (ii).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND EVENTS AFTER REPORTING PERIOD

Suspension of trading of the Company's shares

The Company is a company incorporated on 14 January 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. On 12 December 2017, the Company has been deregistered in the Cayman Islands and continued in Bermuda as an exempted company with limited liability under the laws of Bermuda. The Shares have been listed on the Main Board of the Stock Exchange since 12 October 2004.

The trading in the Shares has been suspended with effect from 1 April 2022 and remained suspended as at the date hereof. On 9 June 2022, the Stock Exchange notified the Company the resumption guidance. If the Company fails to remedy the issue(s) causing its trading suspension, fulfil the resumption guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in the Shares by 30 September 2023, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing on the Stock Exchange.

On 27 October 2023, the Company received a letter (the "**Letter**") from the Stock Exchange stating that the Listing Committee of the Stock Exchange (the "**Committee**") decided to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "**Decision**").

After considering legal and professional advice, the Company has on 3 November 2023 submitted a written request to the secretary of the Listing Review Committee of the Stock Exchange to exercise its rights under Chapter 2B of the Listing Rules to seek a review of the Decision (the "**Review**"). The hearing of the Review is fixed on 23 January 2024.

Winding up Petition

On 18 August 2021, the Company received a petition (the "**Petition**") dated 16 August 2021 filed by an individual bondholder of the Company (the "**Petitioner**") against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**").

Winding up Order

On 31 August 2022, the Company was ordered to be wound up by the High Court and the Official Receiver became the Provisional Liquidator of the Company.

Appointment of the Joint and Several Liquidators

On 21 December 2022, Mr. Osman Mohammed Arab and Mr. Wong Kwok Keung, both of Acclime Corporate Advisory (Hong Kong) Limited (formerly known as RSM Corporate Advisory (Hong Kong) Limited), were appointed as the Joint and Several Liquidators of the Company with the power to act jointly and severally pursuant to the order made by the High Court.

Proposed Restructuring of the Group

On 11 September 2023, Able Reliance Limited (the “**Investor**”) (as lender), the Company (as borrower) and the Joint and Several Liquidators entered into an agreement (the “**Funding Agreement**”), pursuant to which the Investor unconditionally agreed to grant a credit facility for a total sum of up to HK\$13,000,000 to the Company subject to and upon the terms and conditions of the Funding Agreement to, among others, facilitate the preparation and implementation of the Restructuring and Resumption Proposal of the Company.

On 27 September 2023, the Company and the Joint and Several Liquidators entered into the restructuring framework agreement (as amended and supplemented by a supplemental restructuring framework agreement dated 10 November 2023) (the “**Restructuring Framework Agreement**”) with the Investor, pursuant to which the Company will implement a restructuring of the Company’s capital, business and indebtedness (the “**Proposed Restructuring**”).

Pursuant to the Restructuring Framework Agreement, the Company will carry out the Proposed Restructuring which comprises among other things: (i) the Capital Reorganisation; (ii) the Creditors Scheme; and (iii) the Subscription.

A conditional subscription agreement dated 27 September 2023 (as amended and supplemented by a supplemental subscription agreement dated 10 November 2023) (the “**Subscription Agreement**”) entered into between the Investor (as subscriber), the Company (as issuer) and the Joint and Several Liquidators in relation to the subscription of a total 5,000,000,000 new shares at the total subscription price of HK\$50,000,000 (representing a subscription price of HK\$0.01 per new share).

On 27 September 2023, the Investor (as lender), the Company (as borrower) and the Joint and Several Liquidators entered into a working capital facility agreement (the “**Working Capital Facility Agreement**”) for the purpose of providing a revolving loan facility of not less than a total principal amount of HK\$300,000,000 for financing the general working capital requirements of the Group upon the resumption of trading of the Company’s shares on the Stock Exchange.

Following the entering into the Funding Agreement, Restructuring Framework Agreement, the Subscription Agreement and the Working Capital Facility Agreement, the Company has submitted a resumption proposal to the Stock Exchange for the purpose of fulfilling the resumption guidance imposed by the Stock Exchange on 9 June 2022 and seeking resumption of trading of its shares on the Stock Exchange.

Up to the date of this announcement, the Restructuring Framework Agreement, the Subscription Agreement and the Working Capital Facility Agreement remain substantially unchanged and in full force and effect in all respects.

Capital Reorganisation

For the Proposed Restructuring, the Company proposes to implement, subject to the approval by the shareholders of the Company, the capital reorganisation. The capital reorganisation will comprise:

- (i) every ten (10) issued shares of the Company of HK\$0.001 each will be consolidated (the “**Share Consolidation**”) into one (1) consolidated share of HK\$0.01 each (the “**Consolidated Share(s)**”);
- (ii) immediately after the Share Consolidation becoming effective, the share capital of the Company will be reduced whereby:
 - (1) where applicable, any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and
 - (2) the amount then standing to the credit of the Share Premium Account be reduced to nil and that the credit arising therefrom be transferred to the contributed surplus account of the Company within the meaning of the Companies Act.

Immediately following the Share Consolidation, the Company’s authorised share capital will become HK\$500,000,000 divided into 50,000,000,000 Consolidated Shares of HK\$0.01 each, and the issued share capital will be HK\$298,242.94 divided into 29,824,294 Consolidated Shares of HK\$0.01 each.

Creditors Scheme

Pursuant to the terms of the Restructuring Framework Agreement, it is proposed that the Creditors Scheme will be implemented after the fulfilment of the terms and conditions of the Creditors Scheme as set out in the scheme document for the Creditors Scheme. Upon the Creditors Scheme becoming effective, the Creditors shall accept the scheme consideration in full and all the debts claimed by the Creditors will be discharged and released in full.

Subscription

Pursuant to the terms of the Restructuring Framework Agreement and the Subscription Agreement, a subscription of the Company's new ordinary shares will be implemented. The Investor hereby undertakes to the Company that it shall subscribe for a total of 5,000,000,000 Subscription Shares at the total subscription price of HK\$50,000,000 (representing a subscription price of HK\$0.01 per Consolidated Share) by entering into the Subscription Agreement, which shall be satisfied (i) by way of cash to the Company; and/or (ii) by way of set-off against the outstanding amounts under the Funding Agreement in whole or in part on a dollar-for-dollar basis.

Details of the transactions contemplated under the Proposed Restructuring shall be referred to the joint announcement of the Company and the Investor dated 10 November 2023.

PROSPECTS

The Group has long been principally engaged in the gold mining business since 2008. Prior to trading suspension, the Group's gold mining business involved (i) mining of gold ores; (ii) processing of gold ores; and (iii) sales of gold products and other by-products in the PRC (the "**Gold Mining Business**").

After conducting a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan and strategy for the Group, the management of the Group considered that it would be in the interests of the Company and the Shareholders as a whole to continue its on-going Gold Mining Business by placing its financial resources, as well as management and business focus on the mid-to-downstream sector of the value chain of the gold mining industry, being the processing of gold ores and the sales of gold products and other by-products. In view of the high operating and production costs required for maintaining the upstream gold mining operations, which mainly include significant mining workforce employment costs, consumables costs, utility costs and contractors' costs, it would be commercially more sensible to focus on the mid-to-downstream sector in the course of the Proposed Restructuring and to continue upstream operation after the financial strength of the Group is stabilised. Instead of mining and extracting gold ores from the gold mines previously owned by the Group and sourcing from third-party suppliers, gold ores are sourced primarily from the Group's third-party suppliers for gold processing under our streamlined operations. The streamlining of the Gold Mining Business also aligns with the Group's operating philosophy of improving cost efficiency, risk and liability management and maintaining the long-term and sustainable development of the Group in the evolving business environment.

Gold-related business

Since 2022, Luanchuan County Huiheng Mining Co., Ltd. (“**Huiheng Mining**”), a wholly-owned subsidiary of the Group, has been the main operating company to continue to develop the Group’s core gold-related business in the processing of gold ores and sales of gold products and other by-products. The Group generates revenue under this segment primarily from the sales of gold products after processing, which include gold concentrates and other by-products to its customers in the PRC.

Huiheng Mining conducted its gold processing activities through subcontracting arrangement in processing plants and equipment in the PRC before October 2023. The Group adopts the flotation process as the primary processing method for processing gold ores purchased from its suppliers in the PRC, which are mostly quartz vein and tidal rock types ores. The estimated total processing capacity of the production plants and equipment amounted to approximately 190,000 tonnes of ore per year, since the commencement of operation of the production plants in 2022. Furthermore, to increase the gold processing capacity of the Group to increase output and to capture new market demand, the Group has entered into new leasing agreement to lease two new processing plants with comprehensive set of equipment for a period of ten years since October 2023. The newly leased plants are resided much closer to the office and facilities of Huiheng Mining, its customers and suppliers as compared to the prior processing plants under subcontracting arrangement, where the transportation time in between is reduced from approximately 1.5 hours to less than 10 minutes. The estimated total processing capacity of the new plants and equipment is approximately 230,000 tonnes of ore per year. With the greater control over the gold processing procedures in the newly leased plants with its own workers, engineers and technicians, it is believed that the cost efficiency and the recovery rate of gold products will continue to improve. It will generate much higher revenue and profit to the Company.

FINANCIAL PERFORMANCE

Revenue

The revenue from the Group decreased significantly from approximately HK\$1,453.5 million in last year to approximately HK\$493.6 million during the year mainly due to the drop in the revenue from the Gold Mining Operation segment derived by the deconsolidation of subsidiaries during the year.

Cost of Sales

The cost of sales from the Group decreased significantly from approximately HK\$1,202.5 million in last year to approximately HK\$471.4 million during the year mainly due to the drop in the cost of sales from the Gold Mining Operation segment derived by the deconsolidation of subsidiaries during the year.

Gross Profit

The gross profit from the Group decreased significantly from approximately HK\$251.0 million in last year to approximately HK\$22.2 million during the year mainly due to the drop in the gross profit from the Gold Mining Operation segment derived by the deconsolidation of subsidiaries during the year.

Other Income and Gains

The Group's other income and gains amounted to HK\$6.9 million during the year as compared to the other income and gains of HK\$7.1 million in last year. The other income during the year mainly due to the exchange gain recorded.

Administrative Expenses

During the year, the Group's administrative expenses were HK\$60.0 million (2020: HK\$119.3 million), representing a decrease by 50% as compared with last year. The drop in the administrative expenses mainly from the Gold Mining Operation segment derived by the deconsolidation of subsidiaries during the year.

Selling and Distribution Costs

During the year, the Group's selling and distribution costs were HK\$5.1 million (2020: HK\$20.9 million), representing a decrease by 76% as compared with last year. The drop in the selling and distribution costs mainly from the Gold Mining Operation segment derived by the deconsolidation of subsidiaries during the year.

Finance Costs

During the year, the Group's finance costs were HK\$221.7 million (2020: HK\$336.7 million), representing a decrease by 34% as compared to last year. The decrease in finance costs is mainly derived by the deconsolidation of subsidiaries during the year.

Liquidity and Financial Resources

At 31 December 2021, the Group's cash and bank balances (including clients trust bank balances and pledged deposits) and net current liabilities were HK\$12.5 million (2020: HK\$169.2 million) and HK\$4,710.8 million (2020: HK\$2,434.8 million) respectively. The increase in the Group's net current liabilities is mainly attributable to the provisions of the guarantees executed by the Group (details are set out in note 12 in this announcement). At 31 December 2021, the Group's net liabilities amounted to HK\$4,710.0 million (2020: net assets of HK\$4,401.4 million).

The Group has met its needs of working capital and capital expenditure mainly through cash generated from operations, bank and other borrowings and equity financing. As at 31 December 2021, the Group's provisions bank and other borrowings were all repayable within one year. There is no significant seasonality of the borrowings demand of the Group. The Company's directors are of the opinion that the Group will be able to finance its future working capital and financial requirements as further detailed in note 2 in this announcement.

The Group's cash and bank balances and bank and other borrowings are mainly denominated in Hong Kong Dollars and Renminbi.

CAPITAL STRUCTURE

At 31 December 2021, the total number of issued ordinary shares of the Company was 298,242,947 shares, each of HK\$0.001 (the "Shares"). During the year, convertible bonds with an aggregate principal amount of HK\$1,630,223 were converted into 1,148,044 new ordinary shares of the Company of HK\$0.001 each.

The Group from time to time reviews and manages its capital structure to maintain a balance between the higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. There were no changes in the Group's approach to capital management during the year.

As of 31 December 2021, the deficit attributable to owners of the Company amounted to HK\$4,710.0 million (31 December 2020: the equity attributable to owners of the Company amounted to HK\$4,401.4 million). On 27 September 2023, the Company entered into the Restructuring Framework Agreement with the investor pursuant to which the Company will implement a restructuring of the Company's equity and debt.

FOREIGN CURRENCY EXPOSURE

The Group's principal assets and liabilities are located in the PRC and are denominated in RMB which is the functional currency of the Group's subsidiaries in the PRC. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the year as the directors considered that the Group's exposure to exchange rate risk could be managed.

BUSINESS RISK

The Group is exposed to price risks arising from the market price fluctuations on gold products. To protect the Group from the impact of price fluctuations in gold products, the management closely monitors gold product price exposure and will consider to use derivative contracts should the need arises. The Group did not enter into any forward equity securities contracts to manage its equity securities price risk. The Group mitigates its price risk by performing detailed analysis of investments and dedicated professionals are assigned to oversee and monitor the performance of investments.

SIGNIFICANT INVESTMENTS

The Group did not have any other investments as at 31 December 2021.

EMPLOYEES

As at 31 December 2021, the Group employed approximately 200 (2020: 750) employees in the PRC and Hong Kong. All employees are remunerated according to their performance, experience and prevailing industry practices. Both on-the-job and professional training are provided. The Group provides retirement benefits in the form of Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Scheme Ordinance to its employees in Hong Kong. The Group provides defined contribution retirement benefit schemes organised by the relevant local government authorities in the PRC to its employees in the PRC.

PRODUCTION SAFETY AND ENVIRONMENTAL PROTECTION

The Group operates in a responsible manner to ensure the health and safety of their employees. The Group is committed to meeting applicable legal requirements and where possible seek to implement leading industry standards in operations. The Group has established a dedicated safety and environment enhancement team that is responsible for the occupational health and safety of operations.

The Group is subject to various PRC laws and regulations with respect to the prevention and treatment of occupational diseases, the prevention of worksite accidents and the handling of industrial injuries. Production safety permits have been obtained for operations.

The Group has adopted a comprehensive set of internal occupational health and safety policies for operations. The Group conducts staff training, review internal safety procedures, carry out regular on-site safety inspections and continuously monitor the implementation of safety policies. Protective equipment and clothing are regularly provided to personnel, and the Group regularly check proper usage of such equipment.

The Group requires our third-party contractors to possess requisite production safety licences and relevant qualifications for the work they contract from us and to undertake appropriate safety measures.

The Group has been in compliance with all relevant PRC laws and regulations regarding occupational health and safety in all material respects. The Group has not had any material accident involving death or personal injury at any of the operations.

In accordance with Rule 13.91 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), the Company will publish an Environmental, Social and Governance (“**ESG**”) Report within three months after the publication of its annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands that the success of the Group’s business depends on the support from its key stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationships with each of its key stakeholders.

MERGERS AND ACQUISITIONS AND DISPOSAL

There was no other significant major merger, acquisition or disposal by the Group during the reporting period and up to the date of this announcement.

AUDIT COMMITTEE

The Company has established the Audit Committee comprising three Independent Non-Executive Directors as members with written terms of reference.

The Audit Committee has, together with the Directors and external independent auditors, reviewed the results announcement and the consolidated financial statements, accounting principles and practices adopted by the Company for the year ended 31 December 2021.

SCOPE OF WORK OF AUDITORS

The figures in respect of the announcement of the Group’s consolidated statement of profit or loss, consolidated statement of other comprehensive income for the year ended 31 December 2021 and consolidated statement of financial position as at 31 December 2021 and the related notes as set out in the preliminary announcement of the Group’s results have been agreed by the Group’s auditors, CCTH CPA Limited (“**CCTH**”), to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by CCTH in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCTH on the preliminary announcement.

CORPORATE GOVERNANCE

The Company complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021 except for the deviation which is summarized below:

Code Provision C.2.1

Under provision C.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual.

Although Mr. Yi Shuhao is currently the Chairman of the Board and the Chief Executive Officer of the Company, the Board considers that vesting both of the roles of Chairman and Chief Executive Officer in Mr. Yi is beneficial to the business prospects and management of the Group as Mr. Yi has in-depth experience in business management and development and can lead the Group to have continuous growth in the future. The Company had considered the governance issue of balance of power and authority on the board and believed that the structure of the Company (including strong independent elements in the board and delegation of authorities to management) was sufficient to address this potential issue.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed their full compliance with the required standard as set out in the Model Code during the year ended 31 December 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The annual report for the year ended 31 December 2021 containing all the information required Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the Company's shares on the Stock Exchange, which was suspended with effect from 9:00 a.m. on 1 April 2022 remains suspended and will continue to be so until further notice.

As the Joint and Several Liquidators were only appointed in late-December 2022 and only have limited information in relation to the Group, the Joint and Several Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. The Joint and Several Liquidators do not accept or assume responsibility for these audited consolidated financial statements for any purpose or to any person to whom these audited consolidated financial statements are shown or into whose hands they may come.

For and on behalf of
Bay Area Gold Group Limited
(In Compulsory Liquidation in Hong Kong)
Osman Mohammed Arab
Wong Kwok Keung
Joint and Several Liquidators
Acting as agents of the Company
without personal liabilities

Hong Kong, 4 December 2023

As at the date of this announcement, the Board comprises Mr. Yi Shuhao, Mr. Chen Sheng and Mr. Zhang Lirui as the Executive Directors, Mr. Tang Yiu Kay, Mr. Zhu Tianxiang, Professor Xiao Rong Ge and Professor Zhang Tianyu as the Independent Non-executive Directors. All powers of the directors ceased upon granting of the Winding-up Order by the High Court of Hong Kong on 31 August 2022.

The affairs, business and property of the Company are being managed by the Joint and Several Liquidators who act as agents of the Company only and without personal liabilities.