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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

INTERIM RESULTS

Bay Area Gold Group Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the unaudited comparative figures for the six months ended 30 June 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

(Expressed in Hong Kong dollars)

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	<i>4(a)</i>	40,182	493,590
Cost of sales		<u>(40,182)</u>	<u>(471,381)</u>
Gross profit		—	22,209
Other income	<i>5</i>	25	2,676
Other losses	<i>5</i>	—	(1,268)
Selling and distribution costs		—	(5,093)
Administrative expenses		(4,276)	(53,526)
Impairment loss on trade and other receivables		(6,135)	—
Provision for loan guarantees		<u>(141,031)</u>	<u>—</u>
Loss from operations		(151,417)	(35,002)
Finance costs	<i>6(a)</i>	(39,809)	(169,127)
Share of profit of an associate		—	<u>1,125</u>
Loss before tax	<i>6</i>	(191,226)	(203,004)
Income tax expense	<i>7</i>	<u>(3,028)</u>	<u>(1,045)</u>
Loss for the period attributable to owners of the Company		<u>(194,254)</u>	<u>(204,049)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>9</i>		
Basic		<u>(65.13)</u>	<u>(68.52)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	<u>(194,254)</u>	<u>(204,049)</u>
Other comprehensive income/(expense)		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operations	132,760	46,019
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on investments in equity instruments at fair value through other comprehensive income (“FVTOCI”)	<u>—</u>	<u>(21,287)</u>
Other comprehensive income for the period, net of tax	<u>132,760</u>	<u>24,732</u>
Total comprehensive expense for the period attributable to owners of the Company	<u><u>(61,494)</u></u>	<u><u>(179,317)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Expressed in Hong Kong dollars)

		At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Intangible assets		—	500
Fixed assets		63	84
Other deposits		200	200
		<hr/>	<hr/>
Total non-current assets		263	784
		<hr/>	<hr/>
Current assets			
Trade and other receivables	<i>10</i>	123,933	50,226
Deposits and prepayments		134,292	1,421
Income tax recoverable		—	45
Client trust bank balances		4,112	4,112
Cash and bank balances		17,200	8,389
		<hr/>	<hr/>
Total current assets		279,537	64,193
		<hr/>	<hr/>

		At 30 June 2022 (Unaudited) <i>HK\$'000</i>	At 31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Current liabilities			
Trade and other payables	<i>11</i>	370,336	272,644
Contract liabilities	<i>11</i>	132,943	848
Provisions	<i>12</i>	3,257,040	3,248,892
Bank and other borrowings		1,287,964	1,252,567
Income tax payable		2,985	—
Total current liabilities		<u>5,051,268</u>	<u>4,774,951</u>
Net current liabilities		<u>(4,771,731)</u>	<u>(4,710,758)</u>
Total assets less current liabilities		<u>(4,771,468)</u>	<u>(4,709,974)</u>
NET LIABILITIES		<u><u>(4,771,468)</u></u>	<u><u>(4,709,974)</u></u>
CAPITAL AND RESERVES			
Share capital		298	298
Reserves		<u>(4,771,766)</u>	<u>(4,710,272)</u>
		<u><u>(4,771,468)</u></u>	<u><u>(4,709,974)</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 interim report. During the period, 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 that 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 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 are set out in the joint announcement of the Company and the Investor dated 10 November 2023.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Company have been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Going concern

The Group incurred net loss of approximately HK\$194,254,000 for the six months ended 30 June 2022 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK\$4,771,468,000 and the current liabilities of the Group at 30 June 2022 exceeded its current assets at that date by approximately HK\$4,771,731,000. Included in the Group's current liabilities at 30 June 2022 are bank and other borrowings amounted to approximately HK\$1,287,964,000, substantially all of which represent the overdue borrowings due for immediate repayments, and provision for loan guarantees amounted to approximately HK\$3,257,040,000. In addition, the Group had recorded accrued interests payable amounted to approximately HK\$99,298,000 on bank and other borrowings at 30 June 2022 which was included in trade and other payables classified under current liabilities. However, the Group had cash and bank balances amounted to approximately HK\$17,200,000 at 30 June 2022.

The Group had significant cash shortfall of approximately HK\$1,370,062,000 at 30 June 2022, which was calculated as the difference between the aggregate of the current portion of bank and other borrowings and the accrued interests payable at 30 June 2022 and the Group's cash and bank balances as at that date.

Notwithstanding 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 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 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.
- (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. CHANGES IN ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s interim condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

Other than changes in accounting policies resulting from application of the aforementioned amendments to HKFRSs, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

4. REVENUE AND SEGMENT INFORMATION

(a) Revenue

An analysis of the Group's revenue as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers arising from Gold Mining Operation		
Sale of		
— Gold products	—	479,870
— Other by-products	—	13,638
	<u>—</u>	<u>493,508</u>
Revenue from contracts with customers arising from Trading of Metals and Minerals		
— Sales of gold ores	<u>40,182</u>	<u>—</u>
Revenue from contracts with customers arising from Financial Services Operation		
— Income for management service and brokerage service rendered	<u>—</u>	<u>82</u>
Total revenue from contracts with customers	<u>40,182</u>	<u>493,590</u>
Timing of revenue recognition:		
At point in time	40,182	493,508
Over time	<u>—</u>	<u>82</u>
	<u>40,182</u>	<u>493,590</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. From a perspective on business nature, the Group has three reportable segments as follows.

During the prior year ended 31 December 2021, the Group lost control and deconsolidated certain subsidiaries which were engaged in gold mining operation and trading of metals and minerals. Having conduct 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 allocation to reportable operating segments.

Segment liabilities exclude bank and other borrowings, convertible bonds and 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:

	Six months ended 30 June 2022				Six months ended 30 June 2021			
	(Unaudited)				(Unaudited)			
	Gold Mining Operation HK\$'000	Trading of Metals and Minerals HK\$'000	Financial Services Operation HK\$'000	Total HK\$'000	Gold Mining Operation HK\$'000	Trading of Metals and Minerals HK\$'000	Financial Services Operation HK\$'000	Total HK\$'000
Segment revenue								
— External sales	—	40,182	—	40,182	493,508	—	82	493,590
— Inter-segment sales	—	—	—	—	—	—	—	—
	<u>—</u>	<u>40,182</u>	<u>—</u>	<u>40,182</u>	<u>493,508</u>	<u>—</u>	<u>82</u>	<u>493,590</u>
Segment (loss)/profit	<u>—</u>	<u>(10,396)</u>	<u>—</u>	<u>(10,396)</u>	<u>(36,486)</u>	<u>—</u>	<u>2,533</u>	<u>(33,953)</u>
Reconciliation:								
Interest income				10				76
Finance costs				(39,809)				(169,127)
Provision for loan guarantees				(141,031)				—
				<u>(191,226)</u>				<u>(203,004)</u>
Other segment information								
Capital expenditure	—	—	—	—	57,534	—	—	57,534
Depreciation and amortisation	—	20	—	20	137,069	—	13	137,082
Impairment loss on trade and other receivables	—	6,135	—	6,135	—	—	—	—
Share of profit of an associate	—	—	—	—	—	—	1,125	1,125
	<u>—</u>	<u>6,135</u>	<u>—</u>	<u>6,135</u>	<u>—</u>	<u>—</u>	<u>1,125</u>	<u>1,125</u>

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

	At 30 June 2022 (Unaudited)				At 31 December 2021 (Audited)			
	Gold Mining Operation	Trading of Metals and Minerals	Financial Services Operation	Total	Gold Mining Operation	Trading of Metals and Minerals	Financial Services Operation	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	<u>274,424</u>	<u>—</u>	<u>5,376</u>	<u>279,800</u>	<u>54,339</u>	<u>—</u>	<u>10,638</u>	64,977
Corporate and other unallocated assets				<u>—</u>				<u>—</u>
Total assets				<u>279,800</u>				<u>64,977</u>
Segment liabilities	<u>501,604</u>	<u>—</u>	<u>4,660</u>	<u>506,264</u>	<u>269,534</u>	<u>—</u>	<u>3,958</u>	273,492
Corporate and other unallocated liabilities				<u>4,545,004</u>				<u>4,501,459</u>
Total liabilities				<u>5,051,268</u>				<u>4,774,951</u>

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

	<i>Notes</i>	Six months ended 30 June	
		2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Customer A	(i)	N/A	93,727
Customer B	(i)	N/A	121,170
Customer C	(i)	N/A	51,917
Customer D	(ii)	17,622	N/A
Customer E	(ii)	13,039	N/A
Customer F	(ii)	<u>9,521</u>	<u>N/A</u>

Notes:

- (i) Revenue from Gold Mining Operation. The transactions with these respective customers for the six months ended 30 June 2022 did not contribute 10% or more of total revenue of the Group for that period.
- (ii) Revenue from Trading of Metals and Minerals. The transactions with these respective customers for the six months ended 30 June 2021 did not contribute 10% or more of total revenue of the Group for that period.

5. OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income		
Bank interest income	10	76
Sundry income	15	2,600
	<u>25</u>	<u>2,676</u>
Other losses, net		
Exchange losses, net	—	(1,268)

6. LOSS BEFORE TAX

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

	Six months end 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(a) Finance costs:		
Interest on bank and other borrowings	39,809	172,517
Interest on convertible bonds	—	24,042
	<u>39,809</u>	<u>196,559</u>
Total interest expenses on financial liabilities	39,809	196,559
Less: Interest capitalised into construction in progress	—	(1,043)
	<u>39,809</u>	<u>195,516</u>
Interest on lease liabilities	—	80
Fair value gain on derivative financial instruments	—	(26,469)
	<u>39,809</u>	<u>169,127</u>

	Six months end 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(b) Other items		
Cost of inventories sold under Gold Mining Operation <i>(note)</i>	—	471,381
Cost of inventories sold under Trading of Metals and Minerals	40,182	—
	40,182	471,381
Amortisation of intangible assets	—	44,562
Depreciation and amortisation of fixed assets	20	90,555
Depreciation of right-of-use assets	—	1,965
Lease payments for short term leases	—	11,084

Note: Cost of inventories sold under the Gold Mining Operation includes depreciation and amortisation expenses, totalled HK\$Nil (six months ended 30 June 2021: HK\$134,180,000), which are included in each of these types of expenses separately disclosed above.

7. INCOME TAX EXPENSE

Income tax expense in the condensed consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC Enterprise Income Tax		
— Current tax	—	1,248
— Under-provision in prior year	3,028	1,501
	3,028	2,749
Deferred tax credit	—	(1,704)
Income tax expense	3,028	1,045

Notes:

- (i) No provision for PRC income tax has been made for the six months ended 30 June 2022 as the Group has no assessable profit for the period subject to PRC income tax. PRC income tax of the prior period ended 30 June 2021 is calculated based on 25% of the assessable profits of the Group's PRC subsidiaries for that period.
- (ii) No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax for the six months ended 30 June 2022 and 2021.

(iii) Pursuant to the rules and regulations of Bermuda, the Cayman Islands and the British Virgin Islands, the Group is exempted from any income tax in Bermuda, the Cayman Islands and the British Virgin Islands.

8. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 2021.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purpose of basic loss per share		
Loss for the period attributable to owners of the Company	<u>(194,254)</u>	<u>(204,049)</u>
	Six months ended 30 June	
	2022	2021
	<i>'000</i>	<i>'000</i>
Number of shares for the purpose for basic loss per share		
Weighted average number of ordinary shares in issue	<u>298,243</u>	<u>297,780</u>

No diluted loss per share for both of the six months ended 30 June 2022 and 2021 is presented as the effect of convertible bonds is anti-dilutive and there were no other potential dilutive ordinary shares in issue for both of the periods.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade receivables	—	—
Other receivables	<u>132,154</u>	<u>52,312</u>
Trade and other receivables, gross amount	<u>132,154</u>	<u>52,312</u>
Less: Impairment losses recognised	<u>(8,221)</u>	<u>(2,086)</u>
Trade and other receivables, net amount	<u><u>123,933</u></u>	<u><u>50,226</u></u>

11. TRADE AND OTHER PAYABLES, AND CONTRACT LIABILITIES

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Trade payables	398	—
Accrued charges and other payables	352,275	254,981
Deposits received on disposal of subsidiaries	<u>17,663</u>	<u>17,663</u>
Trade and other payables	<u><u>370,336</u></u>	<u><u>272,644</u></u>
Contract liabilities		
Receipts in advance from customers	<u><u>132,943</u></u>	<u><u>848</u></u>

Trade payables from the Trading on Metals and Minerals

An aged analysis of trade payables under the Trading on Metals and Minerals based on invoice date at the end of the Reporting Period is as follows:

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
Within three months	398	—
More than three months but within one year	—	—
More than one year	<u>—</u>	<u>—</u>
	<u><u>398</u></u>	<u><u>—</u></u>

12. PROVISIONS

	At 30 June 2022 (Unaudited) HK\$'000	At 31 December 2021 (Audited) HK\$'000
At beginning of the period/year	3,248,892	—
Provision for the period/year	141,031	3,196,999
Exchange realignment	<u>(132,883)</u>	<u>51,893</u>
At end of the period/year	<u><u>3,257,040</u></u>	<u><u>3,248,892</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 prior year ended 31 December 2021, an independent creditor executed the rights and took over control of the Former Subsidiaries and these Form Subsidiaries were deconsolidated from the Group’s consolidated financial statements of the year ended 31 December 2021 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 for the prior year ended 31 December 2021 amounted to approximately HK\$3,196,199,000 which represents the principal amount together with interest thereon of the outstanding loans amounted to a total of approximately RMB2,467,618,000 payable by the Former Subsidiaries as at 31 December 2021 and guaranteed by the Company. The provision of loan guarantees was charged to profit or loss in respect of the comparative prior year ended 31 December 2021.

For the current period, additional accrued interest on the loans under the Loan Guarantees amounted to approximately RMB117,272,000 (equivalent to approximately HK\$141,031,000) are payable by the Former subsidiaries, which resulted in additional provision of HK\$141,031,000 made for loan guarantees and charged to profit and loss of the Group in respect of the period.

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 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 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\$493.6 million in last period to approximately HK\$40.2 million during the period mainly due to the Group only 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 (i) processing of gold ores; and (ii) sales of gold products and other by-products in the PRC. There was including the portion of revenue for mining of gold ores in last period.

Cost of Sales

The cost of sales from the Group decreased significantly from approximately HK\$471.4 million in last period to approximately HK\$40.2 million during the period mainly due to the drop in the revenue as explained above.

Other Income and Other Losses

The Group's other income amounted to HK\$0.1 million during the period as compared to the other income of HK\$2.7 million in last period. The decrease mainly due to the drop in exchange gain during the period.

Administrative Expenses

During the year, the Group's administrative expenses were HK\$4.3 million (2021: HK\$53.5 million), representing a decrease by 92% as compared with last period. The drop in the administrative expenses mainly due to streamline of the group structure and continue its on-going 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.

Finance Costs

During the year, the Group's finance costs were HK\$39.8 million (2021: HK\$169.1 million), representing a decrease by 76% as compared to last period. The decrease in finance costs is mainly due to the expiry of the borrowings.

Liquidity and Financial Resources

At 30 June 2022, the Group's cash and bank balances (including clients trust bank balances and pledged deposits) and net current liabilities were HK\$21.3 million (At 31 December 2021: HK\$12.5 million) and HK\$4,771.7 million (At 31 December 2021: HK\$4,710.8 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 30 June 2022, the Group's net liabilities amounted to HK\$4,771.5 million (At 31 December 2021: net liabilities of HK\$4,710.0 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 30 June 2022, 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 30 June 2022, the total number of issued ordinary shares of the Company was 298,242,947 shares, each of HK\$0.001 (the “**Shares**”).

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 30 June 2022, the deficit attributable to owners of the Company amounted to HK\$4,771.5 million (31 December 2021: HK\$4,710.0 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 EXCHANGE RISK

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’ subsidiaries in the PRC. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the Reporting Period as the Directors considered that the Group’s exposure to exchange rate risk can 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.

SIGNIFICANT INVESTMENTS

The Group did not have any other significant investments as at 30 June 2022.

EMPLOYEES

As at 30 June 2022, the Group employed approximately 200 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 as well. 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.

MERGERS AND ACQUISITIONS AND DISPOSAL

There was no significant major merger, acquisition or disposal by the Group during the period under review.

CONNECTED TRANSACTION

There was no non-exempted connected transaction entered into by the Company during the period under review. The related party transactions as disclosed in the interim report are fully exempted connected transactions under chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has, together with the Directors and external independent auditor, reviewed the interim condensed consolidated financial statements, accounting principles and practices adopted by the Group for the six months ended 30 June 2022.

CORPORATE GOVERNANCE

The Company has applied the principles of, and complied with the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (“**CG Code**”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2022 except for certain deviations which are summarized below:

Code Provision C.2.1

In accordance with the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Furthermore, the division of responsibilities between the chairman and chief executive officer should be clearly established.

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.

MATERIAL DIFFERENCES BETWEEN ANNOUNCEMENT OF UNAUDITED MANAGEMENT ACCOUNTS AND UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Reference is made to Announcement of Unaudited Management Accounts for the six months ended 30 June 2022. Since subsequent adjustments have been made to the unaudited management accounts of the Group contained in the Unaudited Management Accounts Announcement for the six months ended 30 June 2022 upon completion of the reviewing 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 Management Accounts Announcement and the unaudited interim results of the Group for the six months ended 30 June 2022 in this announcement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited Interim Result for the six months ended 30 June 2022	Unaudited Management Accounts for the six months ended 30 June 2022	Increase/ (decrease) HK\$'000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Impairment loss on trade and other receivables	<i>(i)</i>	(6,135)	—	(6,135)
Provision for loan guarantee	<i>(ii)</i>	(141,031)	—	(141,031)
Income tax expense	<i>(iii)</i>	(3,028)	—	(3,028)

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		Unaudited Interim Result for the six months ended 30 June 2022	Unaudited Management Accounts for the six months ended 30 June 2022	Increase/ (decrease) HK\$'000
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange difference on translation of foreign operations	<i>(iv)</i>	132,760	(274)	133,034

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited Interim Result as at 30 June 2022 <i>HK\$'000</i>	Unaudited Management Accounts as at 30 June 2022 <i>HK\$'000</i>	Increase/ (decrease) <i>HK\$'000</i>
	<i>Notes</i>			
Trade, loans and other receivables, deposits and prepayments	<i>(v)</i>	258,225	189,294	68,931
Income tax recoverable	<i>(vi)</i>	—	43	(43)
Trade and other payables	<i>(vii)</i>	370,336	421,468	(51,132)
Contract liabilities	<i>(vii)</i>	132,943	61,928	71,015
Provisions	<i>(viii)</i>	3,257,040	3,817,768	(560,728)
Bank and other borrowings (Current liabilities)	<i>(ix)</i>	1,287,964	1,284,164	3,800
Bank and other borrowings (Non-current liabilities)	<i>(ix)</i>	—	3,800	(3,800)
Income tax payable	<i>(iii)</i>	2,985	—	2,985
Reserves		(4,771,766)	(5,378,514)	606,748

Notes:

- (i) The difference in “Impairment loss on other receivables” was resulted from the recognition of impairment loss from fair value assessment on trade and other receivables.
- (ii) The difference in “Provision for loan guarantees” was resulted from the recognition of provision for loan guarantees.
- (iii) The difference in “Income tax expense” and “Income tax payable” was resulted from under-provision of Income tax expense during the period.
- (iv) The difference in “Exchange difference on translation of foreign operations” was resulted from recognition of the “Exchange difference on translation of foreign operations”.
- (v) The difference in “Trade, loans and other receivables, deposits and prepayments” was resulted from recognition of other receivables from the operations.
- (vi) The difference in “Income tax recoverable” was resulted from reallocation of income tax recoverable to “Income tax payable”.
- (vii) The difference in “Trade and other payables” was resulted from reallocation of other payables to the “Contract liabilities”.
- (viii) The difference in “Provisions” was resulted from the over-provision for loan guarantees.
- (ix) 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 REVIEW REPORT

The Company’s auditor has issued a disclaimer of conclusion on the Group’s interim condensed consolidated financial statements for the six months ended 30 June 2022, an extract of which is as follows:

SCOPE OF REVIEW

We planned to conduct our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

However, because of the matters described in the “Basis for disclaimer of conclusion” section of our report, we were not able to carry out sufficient review procedures to provide a basis for a conclusion on the interim condensed consolidated financial statements.

BASIS FOR DISCLAIMER OF CONCLUSION

Multiple Uncertainties Relating to Going Concern

As disclosed in note 2 to the interim condensed consolidated financial statements, the Group’s interim condensed consolidated financial statements have been prepared on the going concern basis notwithstanding that the Group incurred a loss for the six months ended 30 June 2022 of approximately HK\$194,254,000 and that as of 30 June 2022, the Group’s total liabilities exceeded its total assets by approximately HK\$4,771,468,000 and the Group’s current liabilities exceeded its current assets by approximately HK\$4,771,731,000. Included in the Group’s current liabilities at 30 June 2022 are bank and other borrowings amounted to approximately HK\$1,287,964,000, substantially all of which represent the overdue borrowings due for immediate repayments, and provision for loan guarantees amounted to approximately HK\$3,257,040,000. In addition, the Group had recorded accrued interests payable amounted to approximately HK\$99,298,000 on bank and other borrowings at 30 June 2022 which was included in trade and other payables. However, the Group had cash and bank balances amounted to approximately HK\$17,200,000 at 30 June 2022.

The Group had significant cash shortfall of approximately HK\$1,370,062,000 at 30 June 2022, which was calculated as the difference between the aggregate of the current portion of bank and other borrowings and the accrued interests payable at 30 June 2022 and the Group's cash and bank balances as at that date.

At the date of approval of these interim condensed 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 interim condensed consolidated financial statements. The implementation of these measures is still in progress. The validity of the going concern assumption on which the interim condensed 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 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 material 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 review conclusion on the interim condensed consolidated financial statements.

Should the going concern assumption be inappropriate, adjustments would have to be made to the interim condensed consolidated financial statements to write down the value of assets to their estimated 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 interim condensed consolidated financial statements.

Disclaimer of Conclusion

Because of the significance of the matters described in the above section headed "Basis for Disclaimer of Conclusion", we were unable to carry out sufficient review procedures to provide a basis for a conclusion on the interim condensed consolidated financial statements. Accordingly, we do not express a conclusion on the interim condensed consolidated financial statements.

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. Having made specific enquiries with the Directors, all Directors have confirmed their full compliance with the required standard as set out in the Model Code during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

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

An interim report for the six months ended 30 June 2022 containing all the information required by Appendix 16 of the Listing Rules will be dispatched to the Shareholders 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
the Joint and Several Liquidators
of acting as agent 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.