China Beidahuang Industry Group Holdings Limited
中 國 北 大 荒 產 業 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00039)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of China Beidahuang Industry Group Holdings Limited (the "**Company**") announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 together with the comparative figures for 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Revenue	*4*	**844,999**	930,276
Cost of sales		**(736,708)**	(795,067)
Gross profit		**108,291**	135,209
Other income, gains or losses	*5*	**2,422**	2,697
Selling and distribution expenses		**(18,015)**	(22,924)
Administrative expenses		**(114,125)**	(92,196)
(Loss)/profit from operation		**(21,427)**	22,786
Net allowance of expected credit losses		**(414)**	(40,351)
Other operating expense		**–**	(38,903)
Finance costs	*6*	**(100,553)**	(148,496)
Share of loss of associates		**(22,468)**	(19,934)
Gain on disposal of subsidiaries		**–**	627
Loss before taxation	*7*	**(144,862)**	(224,271)
Taxation	*8*	**(726)**	1,872

	Notes	2023 HK$'000	2022 HK$'000
LOSS FOR THE YEAR		**(145,588)**	(222,399)
Other comprehensive (expense)/income			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**–**	5,655
Exchange differences arising on translation of foreign operations and associates		**(28,809)**	(117,283)
Total comprehensive expense for the year		**(174,397)**	(334,027)
(Loss)/profit for the year attributable to:			
Owners of the Company		**(153,317)**	(218,450)
Non-controlling interests		**7,729**	(3,949)
		(145,588)	(222,399)
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(181,801)**	(326,868)
Non-controlling interests		**7,404**	(7,159)
		(174,397)	(334,027)
LOSS PER SHARE	*10*		
– Basic and diluted *(in HK cents)*		**(2.76)**	(3.49)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**36,756**	44,004
Investment properties		**403,448**	412,381
Right-of-use assets		**65,051**	96,522
Goodwill		**3,605**	3,675
Other intangible assets		**–**	–
Interests in associates		**169,772**	204,738
		678,632	761,320
CURRENT ASSETS			
Inventories		**163,782**	149,351
Properties for sale		**398,388**	383,980
Trade receivables	*12*	**126,787**	145,567
Loan receivables	*11*	**194,597**	199,358
Prepayments, deposits and other receivables		**287,050**	290,518
Cash and cash equivalents		**12,996**	14,880
		1,183,600	1,183,654
CURRENT LIABILITIES			
Trade and bills payables	*13*	**146,821**	157,291
Other payables and accruals		**406,318**	247,566
Contract liabilities		**110,573**	132,835
Bank and other borrowings		**441,653**	440,044
Amounts due to related parties		**3,900**	691
Tax payable		**5,953**	5,461
Lease liabilities		**32,408**	38,569
		1,147,626	1,022,457

	2023	2022
	HK$'000	*HK$'000*
NET CURRENT ASSETS	**35,974**	161,197
TOTAL ASSETS LESS CURRENT LIABILITIES	**714,606**	922,517
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**24,073**	24,446
Lease liabilities	**79,296**	112,437
Total non-current liabilities	**103,369**	136,883
Net assets	**611,237**	785,634
EQUITY		
Equity attributable to owners of the Company		
Share capital	**633,231**	631,337
Reserves	**(13,220)**	170,475
	620,011	801,812
Non-controlling interests	**(8,774)**	(16,178)
Total equity	**611,237**	785,634

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2023

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Companies Ordinance.

Going concern basis

As at 31 December 2023, the Group had defaulted in repayments of its debts, including: i) secured bonds of principal amount of HK$109,000,000 and interests thereon of approximately HK$135,360,000 (the "**Defaulted Secured Bonds**"); ii) unsecured bonds of principal amount of HK$249,414,000 and interests thereon of approximately HK$84,981,000 (the "**Defaulted Unsecured Bonds**"); iii) other loans of principal amount of HK$20,800,000 and interest thereon of approximately HK$3,449,000 (the "**Defaulted Other Loans**"); and iv) construction payables which, including additional penalties thereon, amounted to approximately HK$131,848,000 (the "**Defaulted Construction Payables**"), in respect of which the Group had received a notice from the contractor of the event of default and demand for payment. In addition, the Group had outstanding bank and other borrowings other than the Defaulted Secured Bonds, Defaulted Unsecured Bonds and Defaulted Other Loans of approximately HK$62,439,000 as at 31 December 2023 which were due for repayment in the next twelve months after 31 December 2023 and incurred a loss for the year ended 31 December 2023 of approximately HK$149,724,000. The events and conditions described above indicate that material uncertainties existed that cast significant doubts on the Group's ability to continue as a going concern, and therefore that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, the Group's cash and cash equivalents amounted to approximately HK$12,996,000 as at 31 December 2023 and the financial resources available to the Group as at 31 December 2023 are not be sufficient to repay the Defaulted Secured Bonds, the Defaulted Unsecured Bonds, the Defaulted Other Loans and the Defaulted Construction Payables and other liabilities of the Group.

In the preparation of the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors have taken into account the plans and measures being implemented by the Group in order to improve the working capital and liquidity and cash flow position of the Group (as set out below) and are of the view that the Group will continue to operate as a going concern in the foreseeable future. Accordingly, the directors have determined that it is appropriate to adopt the going concern basis of accounting in the preparation of the consolidated financial statements.

The plans and measures being implemented by the Group are as follows:

1) Existing business

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

2) New funding

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

3) Entering into agreement with investor for proposed restructuring

On 29 March 2023, the Company and the Investor entered into the legally binding Term Sheet and pursuant to which, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 850,000,000 Subscription Shares for an aggregate subscription price of HK$85,000,000. On the same date, the Company and the Investor entered into the legally binding Term Sheet and pursuant to which, inter alia, the Company will initiate a Creditors' Scheme between the Company and the Scheme Creditors.

On 20 November 2023, a Scheme Meeting was convened and a total of 30 Scheme Creditors holding Voting Claims attended and voted, in person or by proxy, at the Scheme Meeting, with a total of 26 Scheme Creditors holding Voting Claims voting in favour of the Creditors' Scheme. As such, the Creditors' Scheme was approved by the requisite majorities of Scheme Creditors.

On 25 January 2024, the Company and an investor has entered into a conditional restructuring agreement and for in respect of the conditional subscription by the investor of 850,000,000 subscription shares at the total subscription price of HK$85,000,000, representing a subscription price of HK$0.10 per subscription share. Moreover, a creditors' scheme has been proposed by the Company to its scheme creditors whereby in consideration for the full and final settlement of their respective admitted claims, the Company will allot and issue the scheme shares to the scheme creditors, or pay cash dividends in the case of scheme creditors who have validly elected to receive cash in lieu of the scheme shares that they would otherwise be entitled to receive under the creditors' scheme which will involve the disposal of certain subsidiaries at nil or nominal consideration.

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

However, the validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the abovementioned plans and measures, which are inherently uncertain and as at the date of approval of the consolidated financial statements cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

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

New and amendments to HKFRSs that are mandatory effective for the current year

In the current year, the Group has applied the followings new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the Year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies.

Impact on amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment narrows the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Company and its subsidiary are operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

Based on management's assessment, the change has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 And HKAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2024

[3] Effective for annual periods beginning on or after 1 January 2025.

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

3. OPERATING SEGMENT INFORMATION

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

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

(a) the wine and liquor segment is engaged in the sale and distribution of wine and liquor;

(b) the trading of food products segment is engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food, commodity hog;

(c) the construction and development segment is engaged in construction and land development;

(d) the rental segment is engaged in the leasing of logistic facilities in Hong Kong and office facilities in the People's Republic of China ("**PRC**");

(e) the financial leasing segment is engaged in the provision of financial leasing services; and

(f) the mineral products segment is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products.

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

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

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

	Wine and liquor *HK$'000*	Trading of food products *HK$'000*	Construction and development *HK$'000*	Rental *HK$'000*	Financial leasing *HK$'000*	Mineral products *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Year ended 31 December 2023								
Segment revenue:								
Sales to external customers	43	445,197	–	96,729	12,744	290,286	–	844,999
Revenue from contracts with customers								
Timing of revenue recognition								
At a point in time	43	445,197	–	–	–	290,286	–	735,526
Revenue from other sources	–	–	–	96,729	12,744	–	–	109,473
Other gains	–	865	–	1,350	8	1	–	2,224
Other operating expenses	–	8,000	(33)	(820)	(3,365)	(4,834)	–	(1,052)
	43	454,062	(33)	97,259	9,387	285,453	–	846,171
Segment results	(742)	3,916	(502)	(8,094)	(770)	927	–	(5,265)
Reconciliation:								
Bank interest income								52
Unallocated other operating income or loss								146
Corporate and other unallocated expenses								(39,242)
Finance costs								(100,553)
Loss before taxation								(144,862)
Taxation								(726)
Loss for the year								(145,588)
Segment assets	45,480	489,043	292,912	584,375	209,980	281,217	–	1,903,007
Reconciliation:								
Elimination of intersegment receivables								(759,045)
Corporate and other unallocated assets								672,398
Total assets								1,816,360
Segment liabilities	13,580	310,354	316,850	243,288	85,214	95,146	–	1,064,432
Reconciliation:								
Elimination of intersegment payables								(759,045)
Corporate and other unallocated liabilities								904,548
Total liabilities								1,209,935
Other segment information								
Share of loss of associates	–	–	–	–	–	–	(22,468)	(22,468)
Depreciation and amortisation	–	671	27	41,391	327	2,861	–	45,277
Interests in associates	–	–	–	–	–	–	169,772	169,772
Capital expenditure*	–	–	–	6,300	–	563	–	6,863
Fair value loss on investment properties	–	–	–	(1,121)	–	–	–	(1,121)

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

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

Geographical information

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

4. REVENUE

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

Disaggregation of revenue from contracts with customers

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

	2023	2022
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Sale of wine and liquor	**43**	–
Trading of food products	**445,197**	464,803
Sale of mineral products	**290,286**	217,493
Total revenue recognised at a point in time	**735,526**	682,296
Revenue from other sources		
Rental	**96,729**	231,852
Financial leasing	**12,744**	16,128
	844,999	930,276
Revenue from geographic market:		
The PRC	**783,668**	870,121
Hong Kong	**61,331**	60,155
	844,999	930,276

5. OTHER INCOME, GAINS OR LOSSES

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

	2023	2022
	HK$'000	*HK$'000*
Interest income	**560**	2,087
Bank interest income	**52**	34
Government grants *(Note)*	**455**	533
Fair value loss on investment properties	**(1,121)**	(2,325)
Others	**2,476**	2,368
	2,422	2,697

Note:

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

6. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Interest expenses on bank and other borrowings		
– wholly repayable within five years	**91,633**	110,140
Interest expenses on lease liabilities	**8,920**	38,356
	100,553	148,496

7. LOSS BEFORE TAXATION

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

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories recognised as an expenses	**447,509**	484,421
Depreciation of property, plant and equipment	**13,897**	12,449
Depreciation of right-of-use assets	**31,380**	152,474
Expenses related to short term lease and low value assets	**782**	3,285
Gross rental income	**(96,729)**	(231,852)
Less: Direct operating expenses that generated rental income during the year	**49,583**	133,746
	(47,146)	(98,106)
Auditors' remuneration	**1,600**	1,400
Employee benefit expenses (including directors' emoluments):		
Wages and salaries	**8,592**	10,580
Pension scheme contributions	**724**	663
Other expenses:		
Impairment loss on right-of-use assets*	**–**	38,614
Impairment loss on property, plant and equipment*	**–**	289

* *Items included in other operating expenses*

8. TAXATION

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

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

	2023	2022
	HK$'000	*HK$'000*
Current tax:		
– Hong Kong	**589**	600
– PRC Enterprise Income Tax	**43**	50
	632	650
Deferred tax	**94**	(2,522)
Total tax expense/(credit) for the year	**726**	(1,872)

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2023 (2022: HK$nil).

10. LOSS PER SHARE

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

Loss

	2023	2022
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share	**(174,397)**	(218,450)

Number of Shares

	2023	2022
	'000	*'000*
Weighted average number of ordinary shares for basic and diluted loss per share	**6,327,838**	6,258,701

The basic and diluted loss per share are the same for the year ended 31 December 2022 and 31 December 2023 as the effect of the Company's share options were anti-dilutive.

11. LOAN RECEIVABLES

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

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**13,839**	7,063
31 to 60 days	**22,549**	26,413
61 to 90 days	**25,940**	26,574
91 to 180 days	**34,512**	59,299
181 to 365 days	**67,788**	82,772
Over 365 days	**136,178**	101,763
	300,806	303,884
Less: Allowance for expected credit losses ("**ECL**")	**(106,209)**	(104,526)
	194,597	199,358

12. TRADE RECEIVABLES

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

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**46,371**	47,402
1 to 2 months	**5,550**	30,965
2 to 3 months	**43,828**	42,357
Over 3 months	**57,198**	43,719
	152,947	164,443
Less: Allowance for expected credit losses	**(26,160)**	(18,876)
	126,787	145,567

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

	2023	2022
	HK$'000	*HK$'000*
Up to 30 days	**7,479**	4,547

13. TRADE AND BILLS PAYABLES

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**10,768**	5,579
1 to 2 months	**5,207**	4,583
2 to 3 months	**2,733**	2,761
Over 3 months	**64,439**	72,417
	83,147	85,340
Bills payables	**63,674**	71,951
	146,821	157,291

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2022: 30-day terms).

Included in trade payables are HK$105,709,000 (2022: HK$71,443,000) construction payables in which approximately HK$62,362,000 (2022: HK$66,105,000) are defaulted.

As at 31 December 2023, bills payables of approximately HK$63,674,000 (2022: HK$71,951,000) were secured by investment properties with fair value of approximately HK$294,831,000 (2022: HK$300,188,000) and personal guarantee by shareholder of the Company and related parties.

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

EXTRACT FROM THE INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report from HLB Hodgson Impey Cheng Limited (the "**Auditors**") on the Group's consolidated financial statements for the year ended 31 December 2023:

Disclaimer Opinion

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

Basis for Disclaimer of Opinion

Material uncertainties relating to the going concern basis

As stated in Note 2.2 to the consolidated financial statements, as at 31 December 2023, the Group had defaulted in repayments of its debts, including: i) secured bonds of principal amount of HK$109,000,000 and interests thereon of approximately HK$135,360,000 (the "**Defaulted Secured Bonds**"); ii) unsecured bonds of principal amount of HK$249,414,000 and interests thereon of approximately HK$84,981,000 (the "**Defaulted Unsecured Bonds**"); iii) other loans of principal amount of HK$20,800,000 and interest thereon of approximately HK$3,449,000 (the "**Defaulted Other Loans**"); and iv) construction payables which, including additional penalties thereon, amounted to approximately HK$131,848,000 (the "**Defaulted Construction Payables**"), in respect of which the Group had received a notice from the contractor of the event of default and demand for payment. In addition, the Group had outstanding bank and other borrowings other than the Defaulted Secured Bonds, Defaulted Unsecured Bonds and Defaulted Other Loans of approximately HK$62,439,000 as at 31 December 2023 which were due for repayment in the next twelve months after 31 December 2023 and incurred a loss for the year ended 31 December 2023 of approximately HK$149,724,000. These events and conditions, along with other matters as set forth in Note 2.2, indicate that material uncertainties existed as at 31 December 2023 that cast significant doubts on the Group's ability to continue as a going concern.

The Directors have assessed the Group's ability to continue as a going concern and are undertaking measures to improve the Group's liquidity and financial position and enable the Group to meet its liabilities as and when they fall due. These plans for future actions in relation to the going concern assessment, which are set out in Note 2.2 to the consolidated financial statements, include: (i) management is endeavoring to improve the Group's operating results and cash flows through cost control measures and will focus on the existing business of the Group; (ii) the Group is negotiating with its secured and unsecured bondholders and other creditors to extend the repayment dates for the principal and interest amounts of the Defaulted Secured Bonds, the Defaulted Unsecured Bonds, the Defaulted Other Loans and the Defaulted Construction Payables; (iii) the Company is negotiating with investors with a view to obtain further financing including but not limited to equity financing, bank borrowings and issuance of new convertible bonds to improve the liquidity of the Group; (iv) On 25 January 2024, the Company and an investor has entered into a conditional restructuring agreement in respect of the conditional subscription by the investor of 850,000,000 subscription shares at the total subscription price of HK$85,000,000, representing a subscription price of HK$0.10 per subscription share; and (v) a creditors' scheme (the "**Scheme**") has been proposed by the Company to its scheme creditors whereby, in consideration for the full and final settlement of their respective admitted claims, the Company will allot and issue the scheme shares to the scheme creditors, or pay cash dividends in the case of those scheme creditors who have validly elected to receive cash in lieu of the scheme shares that they would otherwise be entitled to receive under the creditors' scheme which will involve the disposal of certain subsidiaries at nil or nominal consideration.

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

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

We have not been provided with sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements because of the lack of detailed analyses provided by management in relation to its plans and measures for future actions in its going concern assessment which take into account the uncertainty of outcome of these plans and measures and how variability in outcome would affect the future cash flows of the Group. Any adjustments found to be required may have consequential significant effects on the consolidated net assets of the Group as at 31 December 2023 and the consolidated loss and other comprehensive expense and cash flows of the Group for the year ended 31 December 2023, and the related elements and disclosures thereof presented or disclosed in the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2023 ("**Year**"), the Group's revenue amounted to approximately HK$845.00 million (2022: HK$930.28 million), representing a decrease of 9.17% from last year. Gross profit of the Group was approximately HK$108.29 million (2022: HK$135.21 million). The loss (net of tax) was approximately HK$145.59 million (2022: loss (net of tax) was HK$222.40 million). The loss (net of tax) was mainly attributable to the increase in administrative expenses and finance costs.

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

Segmental Information

Wine and Liquor Business

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

During the Year, wine and liquor business recorded a revenue of approximately HK$0.04 milion and accounted for 0.01% of the total revenue (2022: Nil) as our sale points and delivery services had recovered from coronavirus outbreak. Gross profit of this business segment for the Year was approximately HK$0.01 million (2022: Nil). The Group will continue to review the development of this business segment.

Trading of Food Products Business

Trading of food products business recorded a revenue of approximately HK$445.20 million (2022: HK$464.80 million) and accounted for 52.69% (2022: 49.96%) of the total revenue. Gross profit of this business segment for the Year was approximately HK$13.87 million (2022: HK$10.62 million).

Construction and Development Business

Following the successful bid for the land use rights of a land parcel in Lianyungang, Jiangsu in the PRC on 5 December 2017, the Group obtained the Land Planning Permit and the Construction Planning Permit for the "Seafood Food City" in 2018. The commercial housing pre-sale permit of phase one of the Seafood Food City was also obtained and sales of the properties in that project started in the second half of 2019. However, the outbreak of novel coronavirus affected the sales plan and construction plan. It is expected that the whole construction of the Seafood Food City on the land parcel will be delayed to first half of 2024.

Rental Business

The rental business was engaged in the leasing of logistic facilities in Hong Kong and office facilities in the PRC. This business recorded a revenue of approximately HK$96.73 million (2022: HK$231.85 million) and accounted for 11.45% (2022: 24.92%) of the total revenue. Gross profit of this business segment for the Year was approximately HK$49.84 million (2022: HK$81.59 million). The decrease was mainly due to the disposal of subsidiaries which engaged in rental business to an independent third party on 8 November 2022. The Group has rental business in Hong Kong and will keep on exploring and investing in potential renting facilities.

Financial Leasing Business

The financial leasing business recorded a revenue of HK$12.74 million (2022: HK$16.13 million) and accounted for 1.51% (2022: 1.73%) of the total revenue. Gross profit of this business segment for the Year was approximately HK$8.15 million (2022: HK$12.96 million).

Mineral Products Business

The mineral products business includes the flotation selection of non-ferrous metals mines and sales of mineral products. This business segment recorded a revenue of approximately HK$290.29 million (2022: HK$217.49 million) and accounted for 34.35% (2022: 23.38%) of the total revenue. The Group expects the market of this business will remain fine and the revenue contributed by this segment will represent a larger portion of the Group's revenue. Gross profit of this business segment for the Year was approximately HK$36.42 million (2022: HK$30.04 million).

Financial Review

Revenue

The Group achieved a revenue of approximately HK$845.00 million (2022: HK$930.28 million), representing a decrease of 9.17% over last year. Gross profit of the Group was approximately HK$108.29 million (2022: HK$135.21 million). The loss (net of tax) was HK$145.59 million (2022: loss (net of tax) was HK$222.40 million).

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK$18.02 million (2022: HK$22.92 million), representing a decrease of 21.38% from last year and 2.13% (2022: 2.46%) of the Group's revenue. It was relatively the same as last year.

Administrative Expenses

Administrative expenses were approximately HK$114.13 million (2022: HK$92.20 million), representing an increase of 23.79% from last year and 13.51% (2022: 9.91%) of the Group's revenue. The increase was mainly due to the increase in the provision for additional penalty relating to the default construction payment.

Finance Costs

Finance costs were approximately HK$100.55 million (2022: HK$148.50 million), representing a decrease of 32.89% from last year and 11.90% (2022: 15.96%) of the Group's revenue.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK$241.18 million (2022: HK$244.67 million) paid for food products and mineral products and HK$24.18 million (2022: HK$28.30 million) was paid as rental deposit for the rental business.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2023, the total number of issued shares of the Company was 6,332,312,083 shares. 18,946,000 shares options were exercised during the Year and as a result of which 18,946,000 shares were issued.

As at 31 December 2023, the Group had net assets to owners of the parent of approximately HK$620.01 million (2022: HK$801.81 million). Net current assets of the Group as at 31 December 2023 amounted to approximately HK$35.97 million (2022: HK$161.20 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.03 (2022: 1.15).

The Group's cash and cash equivalents as at 31 December 2023 amounted to approximately HK$13.00 million (2022: HK$14.88 million), which were denominated in Hong Kong dollars and Renminbi.

As at 31 December 2023, the Group's total bank and other borrowings amounted to approximately HK$441.65 million (2022: HK$440.04 million). All of the Group's bank and other borrowings were denominated in Renminbi and Hong Kong dollars. Included in bank and other borrowings was default payment for other borrowings of approximately HK$379.21 million (2022: HK$317.28 million). The Company keeps negotiating with creditors of other borrowings for extension of repayment period.

The bank loans, other borrowings and amounts due to related parties are charged at fixed interest rates. The gearing ratio of the Group as at 31 December 2023 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 63.20% (31 December 2022: 53.44%). The ratio was at reasonably adequate level as at 31 December 2023. Having considered the Group's various measures, arrangements and current unpledged cash and cash equivalents, bank and other borrowings, banking facilities, possible fund raising and the business operation income, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Year.

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

Charge on Assets and Contingent Liabilities

As at 31 December 2023, investment properties with fair value of approximately HK$294.83 million (2022: HK$300.19 million) and personal guarantee by a shareholder of the Company and related parties were used to secure the Group's bank borrowings and bills payable.

The shares of two subsidiaries of the Company with net assets of HK$30.75 million (2022: HK$26.39 million) as at 31 December 2023 were pledged for a secured bond since August 2017. As the secured bond has matured, the bondholder has the right to take over the control of the two subsidiaries. The Company is in negotiation with the bondholder for extension of repayment of the bond and as at the date of this announcement, the two subsidiaries are still under the control of the Company.

Litigations

(i) HCA 1867 of 2015

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

(ii) HCA 1948 of 2019

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

(iii) HCCW 3 of 2023

On 9 January 2023, the Company received a petition ("**Mr. Zhang's Petition**") filed by Mr. Zhang Zhiguang ("**Mr. Zhang**") for an order that the Company may be wound up by the High Court under the Ordinance pursuant to a Statutory Demand (for being unable to repay a debt of an amount of HK$7,197,841.10). Details of Mr. Zhang's Petition were disclosed in the announcement of the Company dated 10 January 2023. On 11 March 2024, the Company and Mr. Zhang have signed and filed a consent summons to the High Court of the withdrawal of the Petition.

(iv) CACV 71 of 2023

On 6 March 2023, the Company filed a Notice of Appeal to the Court to appeal against the Judgment of HCA 1867 of 2015 that the quantum of damages be HK$2,944,000.00 only.

(v) HCCW 144 of 2023

On 30 March 2023, the Company received a winding up petition filed by Mr. Qu Shuncai (under HCCW 144 of 2023) for an order that the Company may be wound up by the High Court of the Hong Kong Special Administrative Region pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) for being unable to pay a debt of an amount of HK$4,291,684.55, being the Reduced Amount together with its accrued interest of HK$1,347,684.55 as at 7 March 2023.

The Company and Mr. Qu Shuncai have signed and filed a consent summons to the High Court for withdrawn of the Petition. On 7 June 2023, the Company received the order of the High Court dated 6 June 2023 which ordered, among other things, that leave be given to the Petitioner to withdraw the Petition, and the hearing scheduled on 7 June 2023 be vacated.

(vi) Application for Validation Order

Pursuant to a summons dated 14 July 2023 filed by the Company with the Cayman Grand Court, on 20 July 2023, the Cayman Grand Court made a validation order in the following terms:

"That the trading of the Company's shares and any transfers of shares or alterations in the status of the Company's members made between the date of the presentation of the Cayman Petition and the date of any winding-up of the Company, shall not be void pursuant to section 99 of the Companies Act in the event that an order for the winding-up of the Company is made on the Cayman Petition."

This complements the validation orders made on 16 May 2023 by the High Court in respect of two winding-up petitions filed in Hong Kong (one of which petitions has since been withdrawn), as described in the announcement of the Company dated 19 May 2023.

(vii) FSD 146 of 2023

On 13 June 2023, the Company received a petition ("**Cayman Petition**") filed by Mr. Qiu Zhen (the "**Petitioner**") from its Cayman corporate service provider which had received the Cayman Petition on 5 June 2023, for an order that the Company be wound up by the Grand Court of the Cayman Islands ("**Cayman Grand Court**") in accordance with the Companies Act (as revised) of the Cayman Islands.

The Cayman Petition was filed against the Company for failing to satisfy a statutory demand issued on 25 August 2022 in a principal amount of HK$16,673,418.00 with accrued interest of HK$738,826.56 as at 12 May 2023.

The Company received the order of the Cayman Grand Court dated 8 December 2023 which ordered, among other things, that Mr. Qiu be withdrawn, which was made pursuant to the Mr. Qiu's summons dated 8 December 2023 seeking leave from the Cayman Grand Court to withdraw the Cayman Petition.

(viii) (2023) Su 0706 Minchu No. 1584, (2023) Su 07 Minchuzhong No. 4275

On 21 March 2023, the Company's subsidiary, Lianyungang Huajin Huahong Industrial Co., Ltd.(連雲港華金華鴻實業有限公司)("**Huajin Huahong**") received a civil ruling (民事裁定書)issued on behalf of Sun Jie(孫傑)("**Sun**") under (2023) Su 0706 Minchu No. 1584((2023)蘇0706民初1584號). According to the civil ruling(民事裁定書), Sun being the plaintiff, requested (i) an order for repayment of the principle amount of borrowings amounting to RMB10,000,000 and interests thereon (with interest to be calculated at 4 times of the LPR from 19 August 2022 to the date of actual payment); (ii) an order for legal fees of RMB340,000, as well as costs of litigation and preservation expense of the case. The case has been appealed to the Lianyungang Intermediate People's Court of Jiangsu Province and on 22 November 2023, Huajin Huahong received a civil judgment under (2023) Su 07 Minchuzhong No. 4275((2023)蘇07民初終4275號). Pursuant to the civil judgment, (a) in respect of (i) above, Huajin Huahong shall repay to Sun the principal amount of the borrowing of RMB97,355,518.35 and interest of RMB47,071.22; (b) in respect of (ii) above, Huajin Huahong shall pay to Sun the attorney's fee of RMB340,000; and (c) dismissed other litigation claims filed by Sun.

(ix) (2023) Su 0707 Minchu No. 2761

On 23 April 2023, the Company's subsidiary, Lianyungang Huajin Huahong Industrial Co., Ltd.(連雲港華金華鴻實業有限公司)("**Huajin Huahong**") received a civil mediation(民事調解書)issued on behalf of Lianyungang Wushun Communication Engineering Co., Ltd.(連雲港吾順通信工程有限公司)("**Wushun**") under (2023) Su 0707 Minchu No. 2761((2023)蘇0707民初2761號). According to the civil mediation (民事調解書), Wushun being the plaintiff, after the trial and mediation by the court, the parties voluntarily reached the following mediation: (i) Huajin Huahong shall pay the construction payables of RMB786,518 to Wushun in three installments, and in the case of late payment, it shall be subject to interest, which shall be calculated from 7 January 2022 to the date of actual payment with maximum amount not exceeding RMB157,303; (ii) the dispute over the construction payables between both parties shall be settled in one lump sum and there shall be no other disputes.

Possible Debt Restructuring

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

The Company announced on 23 March 2023 that the convening hearing in respect of the Scheme, at which an order will be sought to convene the scheme meeting for the purpose of considering and, if thought fit, approving (with or without modification) the Scheme, was scheduled to be heard before the High Court on 16 June 2023 (Hong Kong time).

On 16 June 2023, it was ordered that the convening hearing in respect of the Creditors' Scheme be adjourned before the Companies Judge to a date to be fixed no later than 5 July 2023.

On 20 June 2023, the High Court directed that the convening hearing in respect of the Creditors' Scheme be adjourned to be heard before the Companies Judge on 31 July 2023.

On 31 July 2023, it was ordered that the convening hearing in respect of the Creditors' Scheme be further adjourned to 18 August 2023.

At the hearing on 18 August 2023, the High Court granted leave for the Company to convene a meeting of the Creditors under the Creditors' Scheme, with any adjournments as may be appropriate, for the purpose of considering and, if thought fit, approving (with or without modification) the Creditors' Scheme proposed to be made between the Company and the Creditors pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). A hearing of the High Court for the purpose of sanctioning the Creditors' Scheme was scheduled on 29 November 2023.

On 20 November 2023, the Scheme Meeting was convened and held for the purpose of considering and, if thought fit, approving (with or without modification) the Creditors' Scheme proposed to be made between the Company and the Creditors pursuant to Sections 670, 671, 673 and 674 of the Companies Ordinance.

A total of 30 Scheme Creditors holding Voting Claims (as defined in the Explanatory Statement of the Scheme Document) in the aggregate principal amount together with accrued and unpaid interest of HK$1,009,153,816.42 (representing 98.46% of the total value of outstanding Voting Claims) attended and voted, in person or by proxy, at the Scheme Meeting, with a total of 26 Scheme Creditors holding Voting Claims in the aggregate principal amount together with accrued and unpaid interest of HK$946,353,267.75 (representing 92.33% of the total value of outstanding Voting Claims voting at the meeting) voting in favour of the Creditors' Scheme. As such, the Creditors' Scheme was approved by the requisite majorities of Scheme Creditors.

The Company will proceed to seek the approval and sanction of the High Court in respect of the Creditors' Scheme. The Sanction Hearing for sanctioning the Creditors' Scheme was scheduled to be held on 29 November 2023.

On 29 November 2023， the Creditors' Scheme was sanctioned without modification by the High Court at the Sanction Hearing. The Creditors' Scheme has not become effective, and the Company has yet to enter into the Restructuring Agreement to supersede and replace the legally-binding Term Sheet. The Creditors' Scheme will not become effective until (1) an office copy of the order of the High Court sanctioning the Creditors' Scheme (without modification) is registered by the Registrar of Companies in Hong Kong under Part 2 of the Companies Ordinance and (2) the Initial Cash Payment in the amount of HK$45,000,000 is received by the Scheme Company.

The Restructuring Agreement and the Subscription

On 25 January 2024, the Company and the Investor entered into the Restructuring Agreement in respect of the conditional subscription by the Investor of 850,000,000 Subscription Shares at the Total Subscription Price of HK$85,000,000, representing a Subscription Price of HK$0.10 per Subscription Share. Upon the allotment and issue of the Subscription Shares to the Investor, the Subscription Shares shall in aggregate represent approximately 11.24% of the Enlarged Issued Share Capital.

The Subscription is subject to, among other things, the Independent Shareholders' approval. The Subscription Shares will be allotted and issued under the Specific Mandate to be granted by the Shareholders at the EGM.

The Creditors' Scheme

The Creditors' Scheme involves, among others, (i) the Scheme Share Issue (under which the Company will allot and issue the Scheme Shares to the Scheme Creditors, or in the case of any Scheme Creditor who has validly elected to receive cash in lieu of the Scheme Shares that they would otherwise be entitled to receive under the Creditors' Scheme, to the Scheme Company for the benefit of such Scheme Creditor); and (ii) the Disposal (under which Interests in Scheme Subsidiaries will be disposed to the Scheme Company).

Appointment of Independent Financial Adviser

On 14 February 2024, Alpha Financial Group Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), was appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, the Disposal and the transactions contemplated thereunder.

Employees and Remuneration Policy

As at 31 December 2023, the Group had approximately 147 (2022: 167) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK$9.32 million (2022: HK$11.24 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted the share option scheme aiming to provide incentives to participants for their contributions to the Group, and to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules during the year ended 31 December 2023, except for the deviations as disclosed below.

1. Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company did not officially have a position of chief executive officer since 24 June 2016. The Chairman of the Board provides leadership to the Board to ensure that the Board works effectively and all important issues are discussed and dealt with in a timely manner. During the period from 1 January 2023 to 13 June 2023, Mr. Jiang Jianjun was the Chairman of the Board. Mr. Jiang Jiancheng was appointed as the Chairman of the Board with effect from 14 June 2023. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a chief executive officer, are necessary.

2. Under code provision C.5.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Year, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and make expeditious decisions in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by the Directors. The Board will do its endeavours to meet the requirement of this code provision in future.

3. Under code provision F.1.1 of the CG Code, the issuer should have a policy on payment of dividends and should disclose it in the annual report. As the Company is still in its development phase and the performance will continue to be impacted by the relevant industry and economic outlook in the foreseeable future, the Board is of the opinion that it is not appropriate to adopt a dividend policy at this stage. The Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2023 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF AUDITOR

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.irasia.com/listco/hk/chinabeidahuang). The annual report of the Company for the year ended 31 December 2023 containing all the information as required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 28 March 2024

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