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**China Beidahuang Industry Group Holdings Limited**

**中國北大荒產業集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00039)**

**SUPPLEMENTAL ANNOUNCEMENT  
UPDATE ON THE ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to the announcement of China Beidahuang Industry Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 31 March 2020 in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the “**2019 Results Announcement**”), the clarification announcement of the Company dated 1 April 2020 and the update announcement of the Company dated 11 May 2020. Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the 2019 Results Announcement.

**AUDITORS’ AGREEMENT ON THE 2019 ANNUAL RESULTS**

The Company wishes to announce that on 15 May 2020, the Company has obtained the agreement from the Company’s auditors, HLB Hodgson Impey Cheng Limited (“**HLB**”), on the annual results of the Group for the year ended 31 December 2019 (the “**2019 Audited Annual Results**”) (including the financial figures in respect of the Group’s consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto) as set out in the 2019 Results Announcement in accordance with the requirement of Rule 13.49(2) of the Listing Rules. The 2019 Audited Annual Results contained in 2019 Results Announcement remain unchanged.

## **EXTRACT FROM THE INDEPENDENT AUDITORS' REPORT**

The following is an extract of the independent auditors' report on the Group's annual financial statements for the year ended 31 December 2019:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Material Uncertainty Related to Going Concern**

We draw attention to Note 2 to the consolidated financial statements, which indicates that as of 31 December 2019, the Group recorded a consolidated net loss of approximately HK\$340,909,000. As at 31 December 2019, the Group had default payment for other borrowings of approximately HK\$438,179,000, including the additional interests and penalties (the “**Default Payment**”). In addition, the Group had outstanding bank and other borrowings of approximately HK\$541,962,000 which were due for repayment or renewal in the next twelve months after 31 December 2019.

As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **BASIS OF PREPARATION**

### **Going concern basis**

During the year ended 31 December 2019, the Group recorded a consolidated net loss of approximately HK\$340,909,000. As at 31 December 2019, the Group had Default Payment included i) default convertible bond of approximately HK\$201,897,000 (the “**Default Convertible Bond**”) to convertible bondholders; ii) default secured bond of approximately HK\$139,810,000 (the “**Default Secured Bond**”) to secured bondholder; iii) default unsecured bonds HK\$86,416,000 to six unsecured bondholders and iv) default loan of approximately HK\$10,056,000 to a loan holder. In addition, the Group had outstanding bank and other borrowing of approximately HK\$541,962,000 which were due for repayment or renewal in the next twelve months after 31 December 2019.

However, the Group’s cash and cash equivalents of approximately HK\$79,995,000 and the financial resources available to the Group as at 31 December 2019 may not be sufficient to repay the Default Payment. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

#### **1) Existing business**

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

#### **2) New banking facilities**

Subsequent to 31 December 2019, the Group successfully obtained new bank facilities of RMB40,000,000 (approximately HK\$44,700,000) from a bank in the PRC.

### **3) *Negotiating with creditors' new terms of other borrowings***

On 28 April 2020 (the “**Renewal Date**”), the Group has entered into an extension agreement with an agent of convertible bondholders of the Default Convertible Bond pursuant to which the maturity date of the Default Convertible Bond was extended to 31 December 2020 and the extended Default Convertible Bond will be bearing interest at 12% per annum till 31 December 2020.

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

### **4) *Generate operating cash inflows***

The Group had budgeted and laid out its business plan for pre-sale of the properties for sale on Seafood Phase One Houses included in consolidated statement of financial position in the second half of 2020. These business plans are expected to generate operating cash inflows to the Group.

### **5) *Financial support***

A substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 31 December 2019.

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

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

## **SCOPE OF WORK OF HLB**

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2019 as set out in the 2019 Results Announcement have been agreed by HLB. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the 2019 Results Announcement or this announcement.

By Order of the Board  
**China Beidahuang Industry Group Holdings Limited**  
**Li Jiehong**  
*Chairman*

Hong Kong, 15 May 2020

*As at the date of this announcement, the Executive Directors are Mr. Li Jiehong (Chairman) and Mr. Ke Xionghan; the Non-executive Director is Ms. Ho Wing Yan; and the Independent Non-executive Directors are Mr. Chong Cha Hwa, Mr. Ho Man Fai and Mr. Yang Yunguang.*