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## **CHINA HUAJUN GROUP LIMITED**

**中國華君集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

### **ANNOUNCEMENT OF ANNUAL RESULTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Director(s)**”) of China Huajun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby presents the annual results of the Group for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>Revenue</b>	<i>4</i>		
Goods and services		<b>2,839,050</b>	1,627,561
Income from securities brokerage and consultancy services		<b>50</b>	443
Rental income from property investments		<b>5,607</b>	12,422
Dividend from securities investments		<b>104</b>	752
		<hr/>	<hr/>
<b>Total revenue</b>		<b>2,844,811</b>	1,641,178
Cost of sales and services		<b>(2,752,444)</b>	(1,985,902)
		<hr/>	<hr/>
<b>Gross profit (loss)</b>		<b>92,367</b>	(344,724)
Other gains and (losses), net	<i>6</i>	<b>7,037</b>	219,733
Other income	<i>7</i>	<b>7,848</b>	7,250
Change in fair value of investment properties		<b>(910,382)</b>	(1,187,093)
Selling and distribution expenses		<b>(64,789)</b>	(74,753)
Administrative expenses		<b>(183,957)</b>	(232,843)
Impairment loss on			
– trade receivables		–	(52,188)
– other receivables		<b>(683,917)</b>	(28,741)
– property, plant and equipment (“PPE”)		<b>(46,212)</b>	(207,322)
– right-of-use assets		–	(10,376)
– deposits for PPE		<b>(23,665)</b>	–
Finance costs	<i>8</i>	<b>(879,849)</b>	(1,305,536)
Share of result of an associate		<b>429</b>	392
Gain on disposal of a subsidiary		<b>3,878</b>	–
(Loss) gain on liquidation of a subsidiary		<b>(17,594)</b>	410,978
		<hr/>	<hr/>
<b>Loss before tax</b>		<b>(2,698,806)</b>	(2,805,223)
Income tax credit (expense)	<i>9</i>	<b>27,626</b>	(23,168)
		<hr/>	<hr/>
<b>Loss for the year</b>	<i>10</i>	<b>(2,671,180)</b>	(2,828,391)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Other comprehensive income (expense)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translating of foreign operations		<u>24,045</u>	<u>(27,477)</u>
<b>Other comprehensive income (expense) for the year</b>		<u>24,045</u>	<u>(27,477)</u>
<b>Total comprehensive expense for the year</b>		<u><u>(2,647,135)</u></u>	<u><u>(2,855,868)</u></u>
(Loss) profit for the year attributable to:			
– Shareholders of the Company		<u>(2,679,371)</u>	<u>(2,822,338)</u>
– Non-controlling interests		<u>8,191</u>	<u>(6,053)</u>
		<u><u>(2,671,180)</u></u>	<u><u>(2,828,391)</u></u>
Total comprehensive (expense) income attributable to:			
– Shareholders of the Company		<u>(2,655,326)</u>	<u>(2,849,806)</u>
– Non-controlling interests		<u>8,191</u>	<u>(6,062)</u>
		<u><u>(2,647,135)</u></u>	<u><u>(2,855,868)</u></u>
		<b>RMB</b>	<b>RMB</b>
<b>Loss per share</b>	<i>11</i>		
Basic		<u>(43.54)</u>	<u>(45.86)</u>
Diluted		<u>(43.54)</u>	<u>(45.86)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 31 DECEMBER 2023*

	<i>Notes</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,131,852</b>	1,252,811
Investment properties		<b>1,793,535</b>	3,869,392
Other non-current asset		<b>3,082</b>	3,082
Interest in an associate		<b>31,067</b>	30,638
Deposits for PPE		<b>9,277</b>	33,502
Financial assets at fair value through profit or loss ("FVTPL")		–	13,220
Other receivables and deposits	<i>12</i>	–	13,484
Deferred tax assets		<b>5,662</b>	6,072
Right-of-use assets		<b>318,964</b>	322,260
		<u><b>3,293,439</b></u>	<u>5,544,461</u>
<b>Current assets</b>			
Properties held for sale		<b>739,372</b>	4,115,673
Inventories		<b>186,166</b>	242,954
Trade and other receivables, deposits and prepayments	<i>12</i>	<b>1,223,327</b>	876,446
Tax recoverable		–	5,838
Financial assets at FVTPL		<b>796</b>	8,646
Restricted bank balances		<b>16,013</b>	33,144
Pledged bank deposits		<b>436</b>	436
Bank balances and cash		<b>65,351</b>	59,739
		<u><b>2,231,461</b></u>	<u>5,342,876</u>
Assets classified as held for sale		<u><b>113,056</b></u>	<u>217,722</u>
		<u><b>2,344,517</b></u>	<u>5,560,598</u>

	<i>Notes</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Current liabilities</b>			
Trade and other payables, and other liabilities	<i>13</i>	<b>6,072,140</b>	6,281,845
Tax payable		<b>137,240</b>	135,470
Amount due to immediate holding company		<b>197,766</b>	197,647
Borrowings	<i>14</i>	<b>4,976,651</b>	6,724,068
Contract liabilities		<b>259,553</b>	1,121,093
Corporate bonds		<b>84,276</b>	10,844
Deferred consideration		<b>67,255</b>	74,518
Lease liabilities		<b>3,296</b>	2,220
		<u><b>11,798,177</b></u>	<u>14,547,705</u>
<b>Net current liabilities</b>		<u><b>(9,453,660)</b></u>	<u>(8,987,107)</u>
<b>Total assets less current liabilities</b>		<u><b>(6,160,221)</b></u>	<u>(3,442,646)</u>
<b>Non-current liabilities</b>			
Deferred income		<b>131,486</b>	131,656
Deferred tax liabilities		<b>11,678</b>	11,907
Corporate bonds		<b>6,009</b>	79,211
Lease liabilities		<b>4,839</b>	1,678
		<u><b>154,012</b></u>	<u>224,452</u>
<b>NET LIABILITIES</b>		<u><u><b>(6,314,233)</b></u></u>	<u><u>(3,667,098)</u></u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>55,983</b>	55,983
Reserves		<b>(6,406,792)</b>	(3,751,466)
Deficiency attributable to shareholders of the Company		<b>(6,350,809)</b>	(3,695,483)
Non-controlling interests		<b>36,576</b>	28,385
<b>TOTAL DEFICIENCY</b>		<u><u><b>(6,314,233)</b></u></u>	<u><u>(3,667,098)</u></u>

## NOTES

### 1. GENERAL

China Huajun Group Limited (the “Company”) is a limited company incorporated in Bermuda as an exempted company and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at Victoria Place, 5th Floor, 31 Victoria Street Hamilton, Pembroke, HM10, Bermuda. The principal place of its business is relocated to Suites 2404-2405, 24/F, Alliance Building, 130-136 Connaught Road Central, Sheung Wan, Hong Kong with effect from 12 January 2024.

The directors of the Company (the “Directors”) consider that immediate holding company and ultimate holding company of the Company to be Huajun Group Limited (“HGL”), a company incorporated in Hong Kong. HGL is wholly-owned by Mr. Meng Guang Bao (“Mr. Meng”), who is the former chairman of the Board of Directors and a former executive director of the Company (retired on 28 June 2023).

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

### 2. BASIS OF PRESENTATION

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately RMB2,671,180,000 for the year ended 31 December 2023 and as of that date, the Group had capital and other commitments of approximately RMB680,044,000, net current liabilities and net liabilities of approximately RMB9,453,660,000 and RMB6,314,233,000 respectively, which included principals, interest and penalty payables of approximately RMB4,976,651,000 and RMB2,157,292,000 respectively, of which aggregate principals of approximately RMB4,971,651,000 are in default. Consequently, the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2023, which remain outstanding up to the date of approval of these consolidated financial statements. Therefore, the Group was involved in a number of litigations in relation of defaulted loan payables together with accrued interests payables above of approximately RMB7,128,943,000 due for settlement as at 31 December 2023. In addition, in September 2023, the Company has received a winding up petition (“HK Petition”) against the Company filed by a bond holder at the Court of First Instance of the High Court of Hong Kong. The hearing of the HK Petition is adjourned to 15 April 2024.

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

The Directors reviewed a cash flow forecast of the Group covering a period not less than twelve months from the end of the reporting period and consider that it is appropriate to prepare the consolidated financial statements on the going concern basis taking into account the following facts and assumptions:

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

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

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

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

**(iii) Cash inflow from operations**

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

**(iv) Debts restructuring**

The Company is undergoing an offshore debts restructuring by way of scheme of arrangement (the "Scheme"). The Company plans to implement the Scheme to object the HK Petition.

The Directors believe that, taking into account the above plans and measures, the Group will have sufficient working capital to satisfy its present requirements for the year ending 31 December 2024. However, should the Group fails to achieve the above-mentioned plans and measures, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable values, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively. The effect of these adjustments have not been reflected in the consolidated financial statements.

**3. BASIS OF PREPARATION**

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

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

**Application of new and amendments to HKFRSs**

In the current year, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2023:

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

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

## Amendments to HKFRSs issued but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

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



#### 4. REVENUE

Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2023				
	Printing	Trading	Property	All other	Total
	RMB'000	and logistics	development	segments	RMB'000
		RMB'000	and investments		
			RMB'000	RMB'000	RMB'000
<b>Type of goods and services</b>					
Sales of:					
– printing products	376,492	–	–	–	376,492
– petrochemical and other related products	–	856,810	–	–	856,810
– properties	–	–	1,543,650	–	1,543,650
– hydraulic machinery	–	–	–	39,491	39,491
– other	–	–	–	6,272	6,272
Property management services*	–	–	16,335	–	16,335
Total revenue from contracts with customers	376,492	856,810	1,559,985	45,763	2,839,050
Income from securities brokerage and consultancy services	–	–	–	50	50
Rental income from property investments	–	–	2,054	3,553	5,607
Dividend from securities investments	–	–	–	104	104
Total revenue	<u>376,492</u>	<u>856,810</u>	<u>1,562,039</u>	<u>49,470</u>	<u>2,844,811</u>
<b>Geographical markets</b>					
The PRC	155,182	856,810	1,559,985	45,763	2,617,740
The United States (“US”)	129,394	–	–	–	129,394
Hong Kong	46,026	–	–	–	46,026
European countries	25,438	–	–	–	25,438
Other countries	20,452	–	–	–	20,452
Total	<u>376,492</u>	<u>856,810</u>	<u>1,559,985</u>	<u>45,763</u>	<u>2,839,050</u>

	For the year ended 31 December 2022				
	Printing	Trading	Property	All other	Total
	RMB'000	and logistics	development	segments	RMB'000
		RMB'000	and investments	RMB'000	RMB'000
			RMB'000		RMB'000
<b>Type of goods and services</b>					
Sales of:					
– printing products	491,274	–	–	–	491,274
– petrochemical and other related products	–	1,035,107	–	–	1,035,107
– properties	–	–	18,957	–	18,957
– hydraulic machinery	–	–	–	62,766	62,766
– other	–	–	–	2,432	2,432
Property management services*	–	–	17,025	–	17,025
Total revenue from contracts with customers	491,274	1,035,107	35,982	65,198	1,627,561
Income from securities brokerage and consultancy services	–	–	–	443	443
Rental income from property investments	–	–	5,340	7,082	12,422
Dividend from securities investments	–	–	–	752	752
Total revenue	<u>491,274</u>	<u>1,035,107</u>	<u>41,322</u>	<u>73,475</u>	<u>1,641,178</u>
<b>Geographical markets</b>					
The PRC	167,951	1,014,050	35,982	65,198	1,283,181
The US	214,980	–	–	–	214,980
Hong Kong	44,148	11,119	–	–	55,267
European countries	34,642	9,938	–	–	44,580
Other countries	29,553	–	–	–	29,553
Total	<u>491,274</u>	<u>1,035,107</u>	<u>35,982</u>	<u>65,198</u>	<u>1,627,561</u>

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

## 5. OPERATING SEGMENTS

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

- Printing: Sales and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products
- Trading and logistics: Trading, logistics and supply chain management
- Property development and investments: Property development and investments, property management services

In addition to the operating segments described above, each of which constitutes a reportable segment, the Group has other operating segments which include solar photovoltaic business, provision of hotel services, and sales and manufacturing of hydraulic machineries in the PRC. None of these segments meets any of quantitative thresholds for determining reportable segments. Accordingly, all of the above operating segments are grouped as "All other segments".

The management consider that solar photovoltaic business, provision of financial services and sales and manufacturing of hydraulic machineries segment for the year ended 31 December 2022 are insignificant and grouped as “All other segments” for better comparison.

### Segment revenue and results

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

#### *For the year ended 31 December 2023*

	Printing <i>RMB'000</i>	Trading and logistics <i>RMB'000</i>	Property development and investments <i>RMB'000</i>	Reportable segments, total <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>						
Revenue from external customers	376,492	856,810	1,562,039	2,795,341	49,470	2,844,811
Segment loss	(35,914)	(17,711)	(1,650,655)	(1,704,280)	(96,767)	(1,801,047)
<b>Unallocated amounts</b>						
Corporate administrative expenses						(13,400)
Corporate other income, gains and losses, net						8,777
Finance costs						(879,849)
Gain on disposal of a subsidiary						3,878
Loss on liquidation of a subsidiary						(17,594)
Share of result of an associate						429
Group’s loss before tax						<u>(2,698,806)</u>

#### *For the year ended 31 December 2022*

	Printing <i>RMB'000</i>	Trading and logistics <i>RMB'000</i>	Property development and investments <i>RMB'000</i>	Reportable segments, total <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue</b>						
Revenue from external customers	491,274	1,035,107	41,322	1,567,703	73,475	1,641,178
Segment profit/(loss)	168,920	(23,423)	(1,887,155)	(1,741,658)	(171,431)	(1,913,089)
<b>Unallocated amounts</b>						
Corporate administrative expenses						(21,516)
Corporate other income, gains and losses, net						23,548
Finance costs						(1,305,536)
Gain on liquidation of a subsidiary						410,978
Share of result of an associate						392
Group’s loss before tax						<u>(2,805,223)</u>

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

## Other segment information

### For the year ended 31 December 2023

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Reportable segments, total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>							
Depreciation of PPE	28,500	7,184	6,548	42,232	33,368	4	75,604
Depreciation of right-of-use assets	5,251	1,820	1,148	8,219	3,853	1,208	13,280
Additions to non-current assets	11,819	64	4,938	16,821	1,115	31	17,967
Impairment loss recognised in respect of							
– other receivables	–	–	683,758	683,758	159	–	683,917
– PPE	–	–	20,953	20,953	25,232	27	46,212
– deposits for PPE	–	–	–	–	23,665	–	23,665
(Gain) loss on disposal of PPE	121	1	–	122	(41)	(153)	(72)
Gain on early termination of lease	–	–	–	–	–	(19)	(19)
Fair value loss of investment properties	–	–	910,382	910,382	–	–	910,382
Fair value loss of financial assets at FVTPL	–	–	–	–	238	–	238
Interest income on bank deposits and pledged bank deposits	(117)	(284)	(24)	(425)	(173)	(6)	(604)
Write-down of inventories	–	–	–	–	212	–	212
Write-down of properties held for sale	–	–	61,028	61,028	–	–	61,028

### For the year ended 31 December 2022

	Printing RMB'000	Trading and logistics RMB'000	Property development and investments RMB'000	Reportable segments, total RMB'000	All other segments RMB'000	Unallocated RMB'000	Total RMB'000
<b>Amounts included in the measure of segment profit or loss or segment assets:</b>							
Depreciation of PPE	30,834	7,253	11,741	49,828	38,185	109	88,122
Depreciation of right-of-use assets	7,154	2,303	1,359	10,816	5,196	2,711	18,723
Additions to non-current assets	4,898	1,519	102,099	108,516	4,426	3,675	116,617
Impairment loss recognised in respect of							
– trade receivables	–	–	27,555	27,555	24,633	–	52,188
– other receivables	–	–	–	–	–	28,741	28,741
– PPE	–	–	137,897	137,897	69,076	349	207,322
– right-of-use assets	–	–	10,376	10,376	–	–	10,376
Gain on disposal of PPE	(194,587)	–	–	(194,587)	(1,074)	(201)	(195,862)
Gain on early termination of lease	–	(2)	–	(2)	–	–	(2)
Fair value loss of investment properties	–	–	1,187,093	1,187,093	–	–	1,187,093
Fair value loss of financial assets at FVTPL	–	–	–	–	1,418	–	1,418
Loss on disposal of financial assets at FVTPL	–	–	–	–	712	–	712
Interest income on bank deposits and pledged bank deposits	(86)	(366)	(118)	(570)	(106)	(5)	(681)
Written off of other receivables	447	–	3,608	4,055	196	–	4,251
Write-down of inventories	–	–	–	–	2,274	–	2,274
Write-down of properties held for sale	–	–	469,283	469,283	–	–	469,283

## 6. OTHER GAINS AND (LOSSES), NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Gain on disposal of PPE	72	195,862
Exchange (loss) gain, net	(79)	25,999
Gain on early termination of lease	19	2
Loss on change in fair value of financial assets at FVTPL	(238)	(1,418)
Loss on disposal of financial assets at FVTPL	–	(712)
Change in fair value of deferred consideration	7,263	–
	<u>7,037</u>	<u>219,733</u>

## 7. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest income on bank deposits and pledged bank deposits	604	681
Government subsidies	2,260	2,400
Amortisation of deferred income	818	2,201
Others	4,166	1,968
	<u>7,848</u>	<u>7,250</u>

## 8. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on bank borrowings and other borrowings	872,105	1,315,714
Interest on lease liabilities	590	576
Imputed interest arising on interest-free borrowings from immediate holding company	–	52,334
Effective interest expenses on corporate bonds	7,154	7,410
	<u>879,849</u>	<u>1,376,034</u>
Less: interest expenses capitalised into investment properties under construction/properties under development for sales/construction-in-progress	–	(70,498)
	<u>879,849</u>	<u>1,305,536</u>

## 9. INCOME TAX (CREDIT) EXPENSE

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current tax:		
Hong Kong Profits Tax	–	37
PRC enterprise income tax	357	20,905
PRC land appreciation tax	(28,131)	1,255
Other jurisdictions	(33)	99
	<u>(27,807)</u>	<u>22,296</u>
Deferred taxation	<u>181</u>	<u>872</u>
	<u>(27,626)</u>	<u>23,168</u>

For the years ended 31 December 2023 and 2022, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

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

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

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

## 10. LOSS FOR THE YEAR

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Loss for the year is arrived after charging (crediting):		
Directors' remuneration	2,025	7,337
Staff cost, excluding Directors' remuneration:		
– Salaries, wages and other benefits	158,329	191,272
– Retirement benefit scheme contributions	23,815	27,159
	<u>184,169</u>	<u>225,768</u>
Total staff costs		
	<u>184,169</u>	<u>225,768</u>
Rental income from investment properties:		
Gross rental income from investment properties	(5,607)	(12,422)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	465	1,257
	<u>(5,142)</u>	<u>(11,165)</u>
	<u>(5,142)</u>	<u>(11,165)</u>
Auditors' remuneration		
– Audit services	1,842	2,523
– Non-audit services	193	267
Cost of inventories recognised as an expense	993,768	1,265,787
Cost of properties recognised as an expense	1,490,911	18,718
Write-down of properties held for sales (included in cost of sales and services)	61,028	469,283
Write-down of inventories (included in cost of sales and services)	212	2,274
Written off of other receivables	–	4,251
Depreciation for PPE	75,604	88,122
Depreciation for right-of-use assets	13,280	18,723
Research and development expense	8,404	8,094
	<u>8,404</u>	<u>8,094</u>

## 11. LOSS PER SHARE

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share (loss for the year attributable to shareholders of the Company)	<u>(2,679,371)</u>	<u>(2,822,338)</u>
	2023	2022
<b>Number of shares</b>		
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>61,543,075</u>	<u>61,543,075</u>

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

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 – 30 days	62,449	80,877
31 – 90 days	25,961	51,638
91 – 180 days	2,793	8,923
Over 180 days	<u>13,229</u>	<u>12,800</u>
	<u>104,432</u>	<u>154,238</u>

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
0 to 30 days	31,963	41,720
31 to 90 days	23,614	34,078
91 to 365 days	17,332	22,654
Over 365 days	<u>133,397</u>	<u>408,129</u>
	<u>206,306</u>	<u>506,581</u>



## 14. BORROWINGS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank borrowings	4,861,037	5,025,307
Other borrowings from financial institutions	–	1,440,000
Other borrowing	115,614	258,761
	<u>4,976,651</u>	<u>6,724,068</u>
Secured	4,971,651	6,575,921
Unsecured	5,000	148,147
	<u>4,976,651</u>	<u>6,724,068</u>
Carrying amount repayable based on repayment schedule:		
Within one year	<u>4,976,651</u>	<u>6,724,068</u>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Fixed-rate borrowings		
Within one year	<u>4,976,651</u>	<u>6,724,068</u>

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

	2023	2022
Effective interest rate:		
– Fixed-rate borrowings	4.35% – 15.4%	4.2% – 20.0%
– Variable-rate borrowings	<u>N/A</u>	<u>N/A</u>

- (a) As at 31 December 2023 and 2022, certain banking facilities and loans granted to the Group are secured by the Group's assets.
- (b) During the year ended 31 December 2023, the Group has obtained certain new bank borrowings of RMB5,000,000 (2022: RMB5,000,000) from a commercial bank. As at 31 December 2023, the total outstanding principal amount of approximately RMB4,971,651,000 (31 December 2022: approximately RMB6,609,578,000) was in default and details of material defaulted borrowings are set out below.
- (c) In respect of a bank borrowing with an outstanding principal amount of RMB157,000,000, the Group breached the repayment terms of which approximately RMB182,682,000 was in default since November 2019. The relevant bank borrowing is an entrusted loan entrusted by Shanghai Linyi Investment Partnership (Limited Partnership)\* ("Shanghai Linyi") made available to Baohua Properties (Jiangsu) Co., Ltd.\* ("Baohua Jiangsu"), a 100% owned subsidiary of the Group. On 25 December 2019, Shanghai Linyi issued a legal letter to Baohua Jiangsu to demand for the outstanding principal, interest of approximately RMB182,682,000 and RMB3,040,000 respectively plus penalty interest at a daily rate of 0.1% since 9 November 2019. On 31 December 2019, Baohua Jiangsu made partial repayment of the principal of approximately RMB25,682,000.

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

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

As a result of the Baohua Jiangsu Liquidation, the entire outstanding principal of RMB157,000,000, outstanding interest of approximately RMB3,040,000 and penalty interest of approximately RMB121,169,000 based on contractual terms were derecognised upon deconsolidation of Baohua Jiangsu.

\* *English name for reference only*

- (d) In respect of a borrowing with an outstanding principal of RMB1,440,000,000, the Group breached the repayment terms of which the loan principal of RMB240,000,000 was in default since 27 March 2020. The loan was granted by China Great Wall Asset Management Co., Ltd. – Shanghai Branch (“China Great Wall”) to Baohua Properties Development (Shanghai) Co., Ltd\* (“Baohua Shanghai”), an indirect wholly-owned subsidiary of the Company. The borrowing was secured by the shares of Baohua Real Estate (Dalian) Co., Ltd. (“Baohua Real Estate Dalian”), the Group’s investment properties and properties held for sale with carrying value of nil and nil (2022: approximately RMB1,897,860,000 and RMB1,265,240,000) as at 31 December 2023 and guaranteed by the Company, Huajun Holdings Group Co., Ltd. (a company controlled by Mr. Meng), Mr. Meng and his spouse (together referred to as the “Guarantors”). Pursuant to the terms of the loan agreement, China Great Wall had a discretionary right to demand immediate full repayment of the outstanding principal of RMB1,440,000,000 together with any unpaid interest. On 9 June 2020, China Great Wall issued a payment notice and demanded repayment of the principals of RMB1,440,000,000 and penalty interest immediately.

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

One of the Guarantors, Huajun Holdings Group Co., Ltd., has submitted an application for non-enforcement to the Shanghai Financial Court in accordance with the law. In July 2021, the Shanghai Financial Court released a judgment to reject the application for non-enforcement and an application for review of judgement was submitted. The review of judgement was rejected by Shanghai Financial Court in October 2021. In November and December 2022, certain investment properties under development and properties held for sale of Baohua Shanghai pledged for the loan were enforced to judicial auctions and those properties were sold for a consideration of RMB2,170,000,000 in May 2023. On 30 June 2023, Shanghai Financial Court released a judgment, stating approximately RMB1,652,572,000 out of the total proceeds from judicial auctions of RMB2,170,000,000 has been used to settle the outstanding principal and other related interest.

As at 31 December 2023, the remaining proceeds (after deducting of related enforcement expenses) from judicial auctions of RMB511,678,000 were under custodial by the Shanghai Financial Court and recorded in trade and other receivables in the consolidated statement of financial position, and outstanding interest, penalty interest, compound interest and damages in aggregate of approximately RMB558,185,000 (31 December 2022: approximately RMB659,261,000) were included in other payables.

\* *English name for reference only*

- (e) In respect of a borrowing with an outstanding principal of RMB22,499,000 (31 December 2022: RMB22,499,000), the Group breached the repayment terms of which the entire loan principal of RMB31,796,000 was in default since 8 June 2020. The loan was granted by Zheshang Bank Co., Ltd (“Zheshang Bank”) to Shenzhen Huajun Financial Leasing Co., Ltd\* (“Shenzhen Huajun Financial Leasing”), a 70% owned subsidiary of the Company.

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

As at 31 December 2023, the entire outstanding bank borrowing of RMB22,499,000 (31 December 2022: RMB22,499,000) was classified as current liabilities and its outstanding interest of RMB108,000 (31 December 2022: RMB108,000) and penalty interest and compound interest of approximately RMB8,375,000 (31 December 2022: approximately RMB6,463,000) based on the judgement rate at 8.34% (31 December 2022: 8.34%) per annum was included in other payables.

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

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

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

\* *English name for reference only*

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

The Dalian Office Complex included in investment properties under development of the Group pledged for the loan was enforced to judicial auction in October 2022 but those properties have not been sold up to the date of these consolidated financial statements.

As at 31 December 2023, the entire outstanding bank borrowing of RMB2,658,800,000 (31 December 2022: RMB2,658,800,000) was classified as current liabilities and its outstanding interest of RMB668,766,000 (31 December 2022: RMB311,717,000) and penalty interest and compound interest of approximately RMB28,284,000 (31 December 2022: RMB19,159,000) at a rate of 3% per annum based on the Yingkou Court’s judgement were included in other payables.

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

As at 31 December 2023, the entire outstanding bank borrowing of RMB56,700,000 (31 December 2022: RMB56,700,000) was classified as current liabilities and outstanding interest of approximately RMB18,327,000 (31 December 2022: approximately RMB13,685,000) based on contractual terms was included in other payables.

- (i) In respect of a borrowing with outstanding principal of RMB115,614,000 (31 December 2022: RMB115,614,000) from a private company incorporated in Hong Kong, the Group breached the repayment terms of which the outstanding principal of RMB115,614,000 (31 December 2022: RMB115,614,000) was classified as current liabilities and outstanding interest and penalty interest of approximately RMB63,667,000 (31 December 2022: RMB40,544,000) were included in other payables. In January 2022, the Company has entered into a deed with the lender to provide further collaterals including certain land and buildings held by a subsidiary in the PRC, corporate guarantees of two subsidiaries of the Company and 100% equity pledged of a subsidiary in the PRC. Both counterparties agreed not to demand for repayment until 28 July 2022. In July 2022, a notice of arbitration was issued by Shenzhen Court of International Arbitration (“Shenzhen Arbitration”) to two subsidiaries of the Company and an arbitration hearing was held in September 2022. The Shenzhen Arbitration has released the judgement in June 2023 and decided that the subsidiaries of the Company to undertake the guarantee obligation of the Company’s outstanding loan principal and interest. The subsidiaries have applied to Shenzhen Intermediate Court for application of the withdrawal of judgement of Shenzhen Arbitration.

\* *English name for reference only*



- (j) In respect of a borrowing with an outstanding principal of RMB199,659,000 (31 December 2022: RMB199,659,000), the Group breached the repayment terms of which the entire loan principal of RMB199,659,000 was in default since 10 August 2020. The borrowing was granted by Jiangsu Jiangnan Rural Commercial Bank Co., Ltd.\* (“Jiangnan Rural Bank”) to Huajun Properties (Changzhou) Company Limited\* (“Huajun Changzhou”), a wholly-owned subsidiary of the Company and was guaranteed by Huajun Power Group Co., Ltd. and the Company. In October 2020, Jiangnan Rural Bank filed several claims to Changzhou Intermediate Court\* against Huajun Changzhou. The first hearing for claims was held in December 2021 and January 2022. As at 31 December 2022, the Changzhou Intermediate Court has handed down a judgement to demand Huajun Changzhou to repay all outstanding principal and relevant interest. Jiangnan Rural Bank transferred the loan receivables to China Great Wall Asset Management Co. Ltd. – Jiangsu province Branch (“China Great Wall – Jiangsu”), China Great Wall – Jiangsu filed several claims to Changzhou Intermediate Court in October 2022 and court hearing was subsequently held on 28 February 2023. No judgement was released up to the date of this announcement.

As at 31 December 2023, the entire outstanding bank borrowing of approximately RMB199,659,000 (31 December 2022: approximately RMB199,659,000) was classified as current liabilities and outstanding interest, penalty interest and compound interest of approximately RMB70,503,000 (31 December 2022: approximately RMB49,733,000) were included under other payables.

- (k) In respect of a borrowing with an outstanding principal of RMB483,900,000 (31 December 2022: RMB489,900,000), the Group breached the repayment terms of which entire loan principal of RMB489,900,000 was in default since 24 February 2022. The borrower of the loan was New Island Printing (Liaoning) Limited (“NIP (Liaoning)”)\*, a wholly-owned subsidiary of the Company. In July 2022, Liaoning Assets Management Company Limited filed a claim to Liaoning Yingkou Intermediate Court against NIP (Liaoning). The first hearing for the claim was held in August 2022 and has handed down a judgement to demand NIP Liaoning to repay all outstanding principal and relevant interest. Certain investment properties of the Group located in Dalian pledged for the loan were enforced to judicial auctions and one of the investment properties was sold in auction held in December 2022 for a consideration of approximately RMB60,913,000 and another investment property was sold for a consideration of approximately RMB47,762,000 in February 2023. Such proceeds from auctions are to be repaid to Liaoning Assets Management Company Limited by the court directly.

As at 31 December 2023, the entire outstanding bank borrowing of RMB483,900,000 (31 December 2022: RMB489,900,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB63,377,000 (31 December 2022: approximately RMB139,698,000) were included in other payables.

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

As at 31 December 2023, the entire outstanding bank borrowing of RMB300,000,000 (31 December 2022: RMB300,000,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB128,837,000 (31 December 2022: approximately RMB89,143,000) were included in other payables.

\* *English name for reference only*

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

As at 31 December 2023, the entire outstanding bank borrowing of RMB328,065,000 (31 December 2022: RMB328,065,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB71,187,000 (31 December 2022: approximately RMB51,230,000) were included in other payables.

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

As at 31 December 2023, the entire outstanding bank borrowing of RMB79,000,000 (31 December 2022: RMB79,000,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB15,646,000 (31 December 2022: approximately RMB8,782,000) were included in other payables.

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

As at 31 December 2023, the entire outstanding bank borrowing of RMB261,668,000 (31 December 2022: RMB261,668,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB138,751,000 (31 December 2022: approximately RMB91,447,000) were included in other payables.

- (p) In respect of a borrowing with an outstanding principal of RMB107,570,000 (31 December 2022: RMB108,770,000), the Group breached the repayment terms of which entire loan principal was in default since July 2021. The borrower of the loan was Huajun Energy Group, Ltd. (“HJ Energy”)\*, an indirect wholly-owned subsidiary of the Company. In August 2022, Liaoning Assets Management Company Limited filed a claim to Liaoning Yingkou Intermediate Court against HJ Energy. The first hearing for the claim was held on 23 September 2022. No judgement has been released up to the date of these consolidated financial statements.

As at 31 December 2023, the entire outstanding bank borrowing of RMB107,570,000 (31 December 2022: RMB108,750,000) was classified as current liabilities and outstanding interest of approximately RMB25,831,000 (31 December 2022: approximately RMB11,553,000) was included in other payables.

\* *English name for reference only*

- (q) In respect of a borrowing with an outstanding principal of RMB199,720,000 (31 December 2022: RMB199,720,000), the Group breach the repayment terms of which entire loan principal was in default since April 2022. The borrower of the loan was Huaren Power (Jiangsu) Co. Ltd.\* (“Huaren Power Jiangsu”), a wholly-owned subsidiary of the Company. In January 2022, Yingkou Intermediate People’s Court\* has handed down a judgment to demand Huaren Power Jiangsu to repay all outstanding principal and relevant interest to Yingkou Costal Bank.

As at 31 December 2023, the entire outstanding bank borrowing of RMB199,720,000 (31 December 2022: RMB199,720,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB114,047,000 (31 December 2022: approximately RMB62,085,000) were included in other payables.

- (r) In respect of a borrowing with an outstanding principal of RMB109,420,000 (31 December 2022: RMB109,490,000), the Group breach the repayment terms of which entire loan principal was in default since July 2022. The borrower of the loan was Dalian Hydraulic, a wholly-owned subsidiary of the Company. In November 2022, Zhongshan District People’s Court of Dalian Municipality\* has handed down a judgment to demand Dalian Hydraulic to repay all outstanding principal and relevant interest to Shengjing Bank Company Limited Dalian Branch.

As at 31 December 2023, the entire outstanding bank borrowing of RMB109,420,000 (31 December 2022: RMB109,490,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB36,197,000 (31 December 2022: approximately RMB6,643,000) were included in other payables.

- (s) In respect of a borrowing with an outstanding principal of RMB48,992,000 (31 December 2022: RMB48,992,000), the Group breach the repayment terms of which entire loan principal was in default since June 2021. The borrower of the loan was Huajun Big Hotel Ltd.\*, a wholly-owned subsidiary of the Company. In May 2023, Dalian Economic & Technological Development Zone People’s Court\* has handed down a judgment to demand Huajun Big Hotel Ltd. to repay all outstanding principal and relevant interest to Shengjing Bank Company Limited Dalian Branch.

As at 31 December 2023, the entire outstanding bank borrowing of RMB48,992,000 (31 December 2022: RMB48,992,000) was classified as current liabilities and outstanding interest, penalty and compound interest of approximately RMB23,516,000 (31 December 2022: approximately RMB9,879,000) were included in other payables.

\* *English name for reference only*



## 15. SHARE CAPITAL

	Number of shares		Share capital	
	2023	2022	2023	2022
	'000	'000	HK\$'000	HK\$'000
<b>Ordinary shares</b>				
Authorised:				
Ordinary shares of HK\$1.00 each				
At the beginning and end of the reporting year	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>
	'000	'000	RMB'000	RMB'000
Issued and fully paid:				
At the beginning of the reporting year and end of the reporting year	<u>61,543</u>	<u>61,543</u>	<u>55,983</u>	<u>55,983</u>

## 16. EVENTS AFTER THE REPORTING PERIOD

The Group has no material events after the reporting period.

## BUSINESS REVIEW

Our Group used to engaged in four core businesses, namely (i) Printing; (ii) Trading and Logistics; (iii) Property Development and Investments; and (iv) Financial Services. Due to volatile and weakness in capital market and continuing operating loss incurred by the financial services business, the Group has reduced its scale and disposed of the core financial services business in May 2023.

For the year ended 31 December 2023 (the “**Current Year**”), revenue was approximately RMB2,844.8 million, which represented an increase of approximately RMB1,203.6 million, or 73.3% when compared to revenue of approximately RMB1,641.2 million for the year ended 31 December 2022 (the “**Last Year**”). The overall increase in revenue was attributable to the increase in revenue generated from our Property Development and Investments segment. During the Current Year, a project of investment properties under development and properties held for sale of Baohua Properties Development (Shanghai) Co., Ltd \* (“**Baohua Shanghai**”) pledged for the loan were enforced to judicial auctions and the entire project was sold for a consideration of approximately RMB2,170.0 million thus the revenue of Property Development and Investments recorded a revenue of approximately RMB1,299.3 million. The increase also attributable to the increase in revenue generated from sales of properties upon delivery of certain completed property projects to customers during the Current Year.

Meanwhile Trading and Logistics segment and Printing segment continue contribute stable revenue of approximately RMB856.8 million (the Last Year: approximately RMB1,035.1 million) and approximately RMB376.5 million (Last Year: approximately RMB491.3 million). Decrease in revenue of our Trading and Logistics segment was due to change in product mix to concentrate resources on trading of petrochemical products with higher profit margin. Decrease in revenue of printing business was due to strict inventory control implemented by certain major customers who deferred orders for our printing products.

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

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	<i>RMB Million</i>	<i>%</i>	<i>RMB Million</i>	<i>%</i>
Printing	376.5	13.2%	491.3	29.9%
Trading and Logistics	856.8	30.1%	1,035.1	63.1%
Property Development and Investments	1,562.0	54.9%	41.3	2.5%
Others	49.5	1.8%	73.5	4.5%
	<u>2,844.8</u>	<u>100%</u>	<u>1,641.2</u>	<u>100%</u>

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

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	<i>RMB Million</i>	<i>%</i>	<i>RMB Million</i>	<i>%</i>
The PRC	2,623.3	92.2%	1,288.5	78.5%
The United States	129.4	4.5%	215.0	13.1%
Hong Kong	46.2	1.6%	63.5	3.9%
European countries	25.4	0.9%	44.6	2.7%
Other countries	20.5	0.8%	29.6	1.8%
	<u>2,844.8</u>	<u>100%</u>	<u>1,641.2</u>	<u>100%</u>

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

### **Printing**

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

As a result of inventory control implemented by customers and volatile business environment during the Current Year, the Group expects printing business will face a challenging business environment and we will devote more resources to develop new customers.

### **Trading and Logistics**

This segment is principally engaged in the distribution and sales of petrochemical products and provision of logistics services. This segment trades a large spectrum of petrochemical products. The Group expects vast demand of petrochemical products in Hong Kong and the PRC due to our strength of strong network of suppliers which ensured stable supply of products managed by our team. Most of our customers for petrochemical products are in the PRC. During the Current Year, the Group has optimised the product mix by devoting more resources on products with higher profit margin.

## **Property Development and Investments**

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

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

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue for the Current Year was approximately RMB2,844.8 million, representing an increase of approximately RMB1,203.6 million, or 73.3%, compared to revenue of approximately RMB1,641.2 million for the Last Year. For the Current Year, the Group's major business segments, namely (1) Printing reported a revenue of approximately RMB376.5 million (Last Year: approximately RMB491.3 million); (2) Trading and Logistics reported a revenue of approximately RMB856.8 million (Last Year: approximately RMB1,035.1 million); and (3) Property Development and Investments reported a revenue of approximately RMB1,562.0 million (Last Year: approximately RMB41.3 million). We also recorded revenue of approximately RMB49.5 million (Last Year: approximately RMB73.5 million) from other operating segments during the Current Year.

The overall increase in revenue was attributable to the increase in revenue generated from our Property Development and Investments segment. During the Current Year, a project of investment properties under development and properties held for sale of Baohua Shanghai pledged for the loan were enforced to judicial auctions and the entire project was sold for a consideration of approximately RMB2,170.0 million thus the revenue of Property Development and Investments segment recorded a revenue of approximately RMB1,299.3 million. The increase also attributable to the increase in revenue generated from sales of properties upon delivery of certain completed property projects to customers during the Current Year.

Meanwhile Trading and Logistics segment and Printing segment continue contribute stable revenue of approximately RMB856.8 million (the Last Year: approximately RMB1,035.1 million) and approximately RMB376.5 million (Last Year: approximately RMB491.3 million). Decrease in revenue of our Trading and Logistics segment was due to change in product mix to concentrate resources on trading of petrochemical products with higher profit margin. Decrease in revenue of printing business was due to strict inventory control implemented by certain major customers who deferred orders for our printing products.

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

Gross profit was approximately RMB92.4 million for the Current Year (Last Year: gross loss approximately RMB344.7 million), with gross profit margin of approximately 3.2% (Last Year: gross loss margin approximately 21.0%). The Group recognised provision for write-down of properties held for sales of approximately RMB61.0 million (Last Year: approximately RMB469.3 million) during the Current Year. Excluding the effect on provision for write-down of properties held for sale, the gross profit was approximately RMB153.4 million (Last Year: approximately RMB124.6 million) and the gross profit margin was 5.4% (Last Year: 7.6%).

## **Selling and distribution expenses**

For the Current Year, selling and distribution expenses decreased by approximately RMB10 million or 13.4% to approximately RMB64.8 million, or 2.3% of revenue for the Current Year, from approximately RMB74.8 million, or 4.6% of revenue for the Last Year. The decrease was primarily due to the decrease in commission expenses, consultancy fees and freight and insurance expenses.

## **Administrative expenses**

For the Current Year, administrative expenses decreased by approximately RMB48.8 million or 21.0% to approximately RMB184.0 million or 6.5% of revenue of the Current Year, from approximately RMB232.8 million, or 14.2% of revenue for the Last Year, was due to decrease in staff costs, professional fees and other expenses.

## **Finance costs**

Finance costs for the Current Year was approximately RMB879.8 million (Last Year: approximately RMB1,305.5 million). The decrease was primarily due to the decrease in interest on bank borrowings and borrowings from financial institutions following the Baohua Jiangsu Liquidation and Huajun Wuxi Liquidation as well as repayment of RMB1,652.6 million to China Great Wall as disclosed in note 14. As a result of the above, certain bank borrowings, interest expenses and relevant interest penalties were derecognized by the Group for the year ended 31 December 2023 and 2022.

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

During the Current Year, the Group recorded loss on changes in fair value of investment properties of approximately RMB910.4 million compared to a loss of approximately RMB1,187.1 million in the Last Year as a result of the decrease in fair value of investment properties held by the Group as at 31 December 2023.

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

The Group conducted a review of the Group's property, plant and equipment and determined that a number of assets were impaired, primarily due to closure of certain production lines of solar photovoltaic products because of the change in technology and less orders for products produced by such production facilities. The Group also assessed the recoverable amount of property, plant and equipment of other loss-making units and recognised total impairment losses of approximately RMB46.2 million during the Current Year (Last Year: approximately RMB207.3 million).

## **Loss for the year**

As a combined effect of the above, during the Current Year, the Group recorded a loss attributable to shareholders of the Company of approximately RMB2,679.4 million, as compared to a loss of approximately RMB2,822.3 million for the Last Year.

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

### *Shareholders' funds*

Total shareholders' funds had recorded deficiency of approximately RMB6,314.2 million as at 31 December 2023, as compared to deficiency of approximately RMB3,667.1 million as at 31 December 2022.

### *Financial position*

As at 31 December 2023, the Group had current assets of approximately RMB2,344.5 million (Last Year: approximately RMB5,560.6 million) comprising cash and cash equivalents of approximately RMB65.4 million (Last Year: approximately RMB59.7 million), and current liabilities of approximately RMB11,798.2 million (Last Year: approximately RMB14,547.7 million). The Group's current ratio (defined as current assets divided by current liabilities) was 0.20 (Last Year: 0.38).

Our gearing ratio, expressed as a percentage of interest-bearing liabilities to total assets, was at 89.9% as at 31 December 2023 as compared to 61.4% as at 31 December 2022.

### *Cash and cash equivalents*

As at 31 December 2023, our Group had cash and cash equivalents of approximately RMB65.4 million (31 December 2022: approximately RMB59.7 million), most of which were denominated in Renminbi.

### *Borrowings*

As at 31 December 2023, the Group had interest-bearing bank borrowings and other borrowings of approximately RMB4,976.7 million (31 December 2022: approximately RMB6,724.1 million). Of these borrowings, approximately RMB4,971.7 million (31 December 2022: approximately RMB6,575.9 million) were secured by the Group's assets. Most of the borrowings were denominated in Renminbi.

## **Capital expenditure**

For the Current Year, the Group's capital expenditure mainly represents additions to investment properties, property, plant and equipment and right-of-use assets totaling of approximately RMB18.0 million (Last Year: approximately RMB116.6 million).

## **Pledge of assets**

As at 31 December 2023, the Group's property, plant and equipment, right-of-use assets, property held for sale, investment properties, inventories, pledged bank deposits and restricted bank balances with carrying amounts of approximately RMB297.0 million, RMB197.2 million, RMB550.0 million, RMB1,652.0 million, RMB10.0 million, RMB0.4 million and RMB16.0 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

## **FOREIGN EXCHANGE RISK MANAGEMENT**

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

## **CAPITAL COMMITMENT**

As at 31 December 2023, the Group had a total capital commitment of approximately RMB680.0 million (31 December 2022: approximately RMB1,244.5 million), mainly comprising the related contracts of capital expenditure for property development and investment projects and acquisition of property, plant and equipment.

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group has several outstanding legal proceedings with creditors, construction contractors, customers and suppliers against the Group in the PRC. Apart from disclosed in note 14, the Directors consider that all legal proceedings raised in daily operations would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

## **STAFF**

As at 31 December 2023, the Group had a total staff of 1,676 (31 December 2022: 2,130).

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



## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In May 2023, the Company has disposed of the entire equity interest of United Securities (HK) Holdings Limited and its subsidiary to three independent third parties.

A petitioner presented a bankrupt liquidation petition (the “**Petition**”) against Baohua Properties (Jiangsu) Co., Ltd. (“**Baohua Jiangsu**”), in the Court of People’s Court of Gaoyou City, Jiangsu Province (“**Gaoyou People’s Court**”). According to the “Civil Judgement” dated 13 January 2023 issued by the Gaoyou People’s Court, the application of the Petition was accepted. On 28 January 2023, Gaoyou People’s Court issued a decision letter for the designation of a group of individuals as the bankruptcy administrators to handle the bankruptcy liquidation of Baohua Jiangsu. As a result of the bankrupt liquidation petition against Baohua Jiangsu and the appointment of Bankruptcy Administrator, the Company has effectively lost the control over Baohua Jiangsu and the results of operations and financial position of Baohua Jiangsu have not been consolidated into the consolidated financial statements of the Company as Baohua Jiangsu is considered no longer a subsidiary of the Company since February 2023 (the “**Baohua Jiangsu Liquidation**”). For further details, please refer to the announcement of the Company dated 24 February 2023.

Save for disclosed above, there were no other material acquisitions or disposal of subsidiaries completed during the Current Year.

## CORPORATE GOVERNANCE

The Company has applied the principles and complied with all applicable code provisions of the Code on Corporate Governance Practices (the “**CG Code**”) contained in Appendix C1 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) for the Current Year, save and except for the Code Provision C.2.1 of the CG Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Starting from 28 June 2023, Mr. Yan Ruijie is re-designated as the Chairman and the CEO of the Company. He has been managing the Group’s business and supervising the overall operations of the Group since 2021. The Board considers that vesting the roles of the Chairman and the CEO in Mr. Yan is beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group. As at 31 December 2023, the Board has a total of five Directors and three of them are INEDs who are qualified professionals and/or experienced individuals. As all major decisions are made in consultation with all the Board members who meet on a regularly basis to review the operations of the Group, and shall be approved by majority approval of the Board, with the three INEDs on the Board scrutinising important decisions and offering independent perspectives, the Board believes that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will continue to review and consider splitting the roles of the Chairman and the CEO at a time when it is appropriate and suitable by considering the circumstances of the Group as a whole.



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

The following’s an extract of the independent auditor’s report on the Group’s financial statements for the year ended 31 December 2023:

### **DISCLAIMER OF OPINION**

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

### **BASIS FOR DISCLAIMER OF OPINION**

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

As described in note 2 to the consolidated financial statements, the Group incurred a net loss of approximately RMB2,671,180,000 for the year ended 31 December 2023 and as of that date, the Group had capital and other commitments of approximately RMB680,044,000, net current liabilities and net liabilities of approximately RMB9,453,660,000 and RMB6,314,233,000 respectively, which included principals, interest and penalty payables of approximately RMB4,976,651,000 and RMB2,157,292,000 respectively, of which aggregate principals of approximately RMB4,971,651,000 are in default. Consequently, the lenders have the right to demand immediate repayment of the entire outstanding balances as at 31 December 2023, which remain outstanding up to the date of approval of these consolidated financial statements. Therefore, the Group was involved in a number of litigations in relation of defaulted loan payables together with accrued interests payables above of approximately RMB7,128,943,000 have been overdue and are included in current liabilities in the consolidated statement of financial position. In addition, in September 2023, the Company has received a winding up petition (“HK Petition”) against the Company filed by a bond holder at the Court of First Instance of the High Court of Hong Kong. The hearing of the HK Petition is adjourned to 15 April 2024.

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

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

The validity of the going concern assumption on which the consolidated financial statements have been prepared depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) successfully disposing the property projects of the Group and repaying the borrowings; (ii) successfully negotiating with creditors of property development business to restructuring the borrowings by set-off of pledged assets; (iii) successfully ceasing or disposing of certain non-core loss making business operations; (iv) successfully implementing further cost reduction measures to minimise the operating costs and retaining resources for the Group's printing and logistics and trading business; and (v) successfully implementing the scheme of arrangement to object the HK Petition.

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

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

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

The Company has adopted the Model Code for Securities Transactions by Directors (“**Model Code**”) set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the Current Year.

#### **AUDIT COMMITTEE**

The audit committee comprises three Independent Non-executive Directors and reports directly to the Board. The audit committee meets regularly with the Group's senior management and the Company's external auditor to review the financial reporting and internal control systems of the Group as well as the financial statements of the Company. The audit committee has reviewed the annual results of the Group for the year ended 31 December 2023 as set out in this announcement.

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

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

#### **SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

The Group has no significant events after 31 December 2023.

## **DIVIDEND**

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

## **SCOPE OF WORK OF AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Current Year as set out in this announcement have been agreed by the Company's auditor, Prism Hong Kong and Shanghai Limited ("Prism"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2023. The work performed by Prism 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 Prism on this announcement.

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

The AGM of the Company will be held on Friday, 28 June 2024. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024 (both dates inclusive). No transfer of the Shares may be registered on those dates. Shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2024 shall be entitled to attend and vote at the AGM. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Monday, 24 June 2024.

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

The results announcement of the Company is published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinahuajungroup.com>). The 2023 annual report of the Company will be made available on the same websites in due course.

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

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 28 March 2024

*As at the date of this announcement, the Board comprises Mr. Yan Ruijie and Ms. Chen Yun as executive Directors; and Mr. Shen Ruolei, Mr. Pun Chi Ping and Mr. Mok Yi Kwo as independent non-executive Directors.*

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

\* For identification purpose only