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Bay Area Gold Group Limited

灣區黃金集團有限公司

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

(Stock Code: 1194)

(In Compulsory Liquidation in Hong Kong)

DE-CONSOLIDATION OF SUBSIDIARIES AND BUSINESS UPDATE

This announcement is made by Bay Area Gold Group Limited (In Compulsory Liquidation in Hong Kong) (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the provisions of inside information under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (1) the announcements of the Company dated 15 June 2022, 24 June 2022, 1 September 2022, 20 January 2023, 12 April 2023, 30 June 2023, 22 September 2023 and 29 September 2023 (collectively, the “**Announcements**”) in respect of, amongst others, the resumption guidance issued by the Stock Exchange, the Winding-up Order made against the Company, the appointment of the Joint and Several Liquidators and the publication of unaudited financial information of the Group for the two years ended 31 December 2021 and 31 December 2022, respectively, and the six-month periods ended 30 June 2022 and 30 June 2023, respectively, and (2) the announcements of the Company dated 4 December 2023 regarding the audited annual results of the Group for the year ended 31 December 2021 and 31 December 2022 and the unaudited interim results of the Group for the six months ended 30 June 2022 and 30 June 2023, respectively.

Reference is also made to the announcement of the Company dated 31 December 2021 in relation to certain arbitral awards granted by Pu'er Arbitration Commission (“**PAC**”) against the private lending contracts disputes between Shenzhen Anying Tongda Investment Partnership Enterprise (Limited Partnership)* (深圳安盈通達投資合夥企業 (有限合夥)) (“**Shenzhen Anying**”) and the Group (the “**2021 Announcement**”).

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements and the 2021 Announcement.

DE-CONSOLIDATION OF SUBSIDIARIES

As disclosed in the 2021 Announcement, Kai Yuan Finance Leasing (Shenzhen) Co., Ltd.* (凱源融資租賃(深圳)有限公司) (“**Kai Yuan**”) and its group affiliates borrowed a total of approximately RMB653.50 million from Shenzhen Anying between 2018 and 2019 pursuant to various loan agreements (the “**Kai Yuan Loan Agreements**”). Corporate guarantees had also been signed by the Company and its subsidiaries, namely Mojiang County Mining Co., Ltd.* (墨江縣礦業有限責任公司) (“**Mojiang Mining**”), Shenzhen Munsun Asset Management Ltd.* (深圳市麥盛資產管理有限公司) (“**Shenzhen Munsun**”), Zhuhai Munsun Asset Management Ltd.* (珠海麥盛資產管理有限公司) (“**Zhuhai Munsun**”), Luanchuan County Jinxing Mining Company Limited* (樂川縣金興礦業有限責任公司) (“**Jinxing**”), Luanchuan County Luanling Gold Mine Co., Ltd.* (樂川縣樂靈金礦有限公司) (“**Luanling Gold Mine**”), Pu’er Hengyi Mining Co., Ltd.* (普洱恒益礦業有限責任公司) (“**Hengyi Mining**”), China Precious Resources Holdings Company Limited (中國貴金屬資源控股有限公司) (“**China Precious Holdings**”), Shenzhen Baosheng Mining Holding Co., Ltd.* (深圳保勝礦業控股有限責任公司) (“**Shenzhen Baosheng**”), Fast Trend Investment Ltd. (“**Fast Trend**”) and China Precious Resources Co., Ltd. (“**China Precious Resources**”) in favour of Shenzhen Anying to guarantee the performance of Kai Yuan under the Kai Yuan Loan Agreements. Shenzhen Baosheng, China Precious Resources, Mojiang Mining, Zhuhai Munsun, Fast Trend and Kai Yuan had also charged their shareholdings in Jinxing, Mojiang Mining, Hengyi Mining, Shenzhen Munsun, Zhuhai Munsun and Luanling Gold Mine in favour of Shenzhen Anying.

Also, Shenzhen Munsun and its group affiliates borrowed a total of RMB28 million from Shenzhen Anying in 2018 pursuant to various loan agreements (the “**SZ Munsun Loan Agreements**”). Corporate guarantees had also been signed by the Company, Kai Yuan, Zhuhai Munsun, Mojiang Mining, Jinxing, Luanling Gold Mine and Hengyi Mining in favour of Shenzhen Anying to guarantee the performance of Shenzhen Munsun under the SZ Munsun Loan Agreements. Kai Yuan, Zhuhai Munsun, Mojiang Mining, Shenzhen Baosheng, Fast Trend and China Precious Resources had also charged their respective shareholdings in Jinxing, Mojiang Mining, Hengyi Mining, Shenzhen Munsun, Zhuhai Munsun and Luanling Gold Mine in favour of Shenzhen Anying.

In addition, Zhuhai Munsun and its group affiliates borrowed a total of approximately RMB9.58 million from Shenzhen Anying in 2018 pursuant to various loan agreements (the “**ZH Munsun Loan Agreements**”). Corporate guarantees had also been signed by the Company, Kai Yuan, Shenzhen Munsun, Mojiang Mining, Jinxing, Luanling Gold Mine and Hengyi Mining in favour of Shenzhen Anying to guarantee the performance of Zhuhai Munsun under the ZH Munsun Loan Agreements. Kai Yuan, Shenzhen Munsun, Mojiang Mining, Shenzhen Baosheng, Fast Trend and China Precious Resources had

also charged their respective shareholdings in Jinxing, Mojiang Mining, Hengyi Mining, Shenzhen Munsun, Zhuhai Munsun and Luanling Gold Mine in favour of Shenzhen Anying.

Moreover, loan agreements were entered into between Jinxing (a then wholly-owned subsidiary of the Company) as the borrower and Shenzhen Anying as lender in relation to the advancement of loans of an aggregate of RMB46.60 million (collectively, the “**Jinxing Loan Agreements**”). The Company, Kai Yuan, Mojiang Mining, Luanling Gold Mining, Hengyi Mining, Shenzhen Munsun and Zhuhai Munsun (a then wholly-owned subsidiary of the Company) had also provided corporate guarantees in favour of Shenzhen Anying to guarantee the due and punctual performance of the obligations of Jinxing under the Jinxing Loan Agreements. Kai Yuan, Zhuhai Munsun, Mojiang Mining, Shenzhen Baosheng, Fast Trend and China Precious Resources had also charged their respective shareholdings in Jinxing, Mojiang Mining, Hengyi Mining, Shenzhen Munsun, Zhuhai Munsun and Luanling Gold Mine in favour of Shenzhen Anying.

Further, Mojiang Mining and its group affiliates borrowed a total of RMB68.625 million from Shenzhen Anying in 2018 pursuant to various loan agreements (the “**Mojiang Loan Agreement**”). Corporate guarantees had also been signed by the Company, Kai Yuan, Shenzhen Munsun, Zhuhai Munsun, Jinxing, Luanling Gold Mine and Hengyi Mining in favour of Shenzhen Anying to guarantee the performance of Mojiang Mining under the Mojiang Loan Agreements. Kai Yuan, Shenzhen Munsun, Mojiang Mining, Shenzhen Baosheng, Fast Trend and China Precious Resources had also charged their shareholdings in Jinxing, Mojiang Mining, Hengyi Mining, Shenzhen Munsun, Zhuhai Munsun and Luanling Gold Mine in favour of Shenzhen Anying.

As a result of the failure of the various borrowers to fulfill their respective repayment obligations under the Kai Yuan Loan Agreements, the SZ Munsun Loan Agreements, the ZH Munsun Loan Agreements, the Jinxing Loan Agreements and the Mojiang Loan Agreements:

- (1) on 25 August 2021, a shareholder’s resolution of Zhuhai Munsun was passed to approve the assignment of operation and management rights of Zhuhai Munsun to Shenzhen Anying. An entrusted operation agreement dated 30 August 2021 (as supplemented by a supplemental agreement dated 2 September 2021) was entered into between Shenzhen Anying and Shenzhen Baosheng, and pursuant to which Shenzhen Anying took over the operation and management of Shenzhen Baosheng with effect from 2 September 2021. Subsequently, on 14 December 2022, pursuant to the enforcement decision of Pu’er City Intermediate People’s Court, People’s Republic of China, the proceeds from the sale of the entire shareholding of Zhuhai Munsun held by Shenzhen Baosheng was ordered to be used for offsetting against the principal amount of the loans, arbitration costs and interests owed to Shenzhen Anying;

- (2) on 25 August 2021, a shareholders' resolution of Jinxing was passed to approve the assignment of operation and management rights of Jinxing to Shenzhen Anying. An entrusted operation agreement dated 30 August 2021 (as supplemented by a supplemental agreement dated 2 September 2021) was entered into among Shenzhen Anying, Shenzhen Baosheng, Zhuhai Munsun, and Hong Kong Tengrui Mining Investment Limited* (香港騰瑞礦業投資有限公司), pursuant to which Shenzhen Anying took over the operation and management of Jinxing with effect from 2 September 2021; and
- (3) on 8 October 2021, a shareholder's resolution of Shenzhen Baosheng was passed to approve the assignment of operation and management rights of Shenzhen Baosheng to Shenzhen Anying. An entrusted operation agreement dated 13 October 2021 (as supplemented by a supplemental agreement dated 14 October 2021) was entered into between Shenzhen Anying and China Precious Holdings, and pursuant to which Shenzhen Anying took over the operation and management of Shenzhen Baosheng with effect from 18 October 2021.

As advised by the PRC legal advisers:

- (1) since (a) Shenzhen Baosheng was unable to fulfil its guarantee obligations under the equity interest pledge agreement entered into with Shenzhen Anying; and (b) Zhuhai Munsun was unable to fulfil its guarantee obligations under the maximum guarantee agreement entered into with Shenzhen Anying, Shenzhen Anying had taken over the full control, and become the actual controller, of Jinxing on 3 September 2021 pursuant to an entrusted operation agreement. Accordingly, the Company lost control of Jinxing since 3 September 2021;
- (2) given that Luoyang Yuliu Mining Co., Ltd.* (洛陽市毓琉礦業有限公司) (“**Luoyang Yuliu**”) is a wholly-owned subsidiary of Jinxing, the Company also lost control of Luoyang Yuliu at the same time the control of Jinxing was lost;
- (3) since Shenzhen Baosheng was unable to fulfil its guarantee obligations under the equity interest pledge agreement entered into with Shenzhen Anying, Shenzhen Anying had taken over the full control, and become the actual controller, of Zhuhai Munsun on 2 September 2021 pursuant to an entrusted operation agreement. Accordingly, the Company had lost control of Zhuhai Munsun since 2 September 2021;

- (4) given that Zhuhai Munsun holds 51%, 75.25% and 51% of equity interest in Mojiang Mining, Luanling Gold Mine and Chifeng Yongfeng Mining Co., Ltd.* (赤峰永豐礦業有限責任公司) (“**Chifeng Yongfeng**”, together with Mojiang Mining and Luanling Gold Mine, the “**Zhuhai Munsun Subsidiaries**”), respectively, and is the controlling shareholder of each of the Zhuhai Munsun Subsidiaries, the Company lost control of the Zhuhai Munsun Subsidiaries on 2 September 2021 at the same time when the control of Zhuhai Munsun was lost, while Shenzhen Anying had taken over the full control, and become the actual controller, of the Zhuhai Munsun Subsidiaries; and
- (5) as a result of the failure of China Precious Holdings to fulfil its guarantee obligations under the guarantee agreement entered into with Shenzhen Anying, Shenzhen Anying had taken over the full control, and become the actual controller, of Shenzhen Baosheng on 18 October 2021 pursuant to an entrusted operation agreement. Accordingly, the Company lost control of Shenzhen Baosheng since 18 October 2021.

In addition, according to the information available to the Joint and Several Liquidators, (1) China Precious Metal Resources Co., Ltd. (“**China Precious Metal BVI**”), a direct wholly-owned subsidiary of the Company, together with its subsidiaries incorporated in the British Virgin Islands or Hong Kong (the “**Offshore Subsidiaries**”), including Sinowise Century Limited (“**Sinowise**”), China Precious Resources, Decent Connection Overseas Limited (“**Decent Connection**”), Wah Heen Holdings Limited (“**Wah Heen**”), Able Supplement Limited (“**Able Supplement**”), China Precious Metal Resources Co., Ltd. (“**China Precious Metal HK**”), Hong Kong Realking Mining Industry Ltd. (“**Hong Kong Realking**”), Hong Kong T&R Mining Investment Ltd. (“**T&R**”), Fast Trend and Kong Chun Hong Kong Ltd. (“**Kong Chun**”), had provided corporate guarantees in favour of Shenzhen Anying to guarantee the due and punctual performance of Mojiang Mining, Shenzhen Munsun and Kai Yuan of each of their respective obligations under the loan agreements; while (2) China Precious Metal BVI had agreed to transfer its shareholdings in the Offshore Subsidiaries (save for China Precious Metal HK) to Shenzhen Anying in the events of failure of repayment obligation by Kai Yuan and guarantee obligation by China Precious Metal BVI. Besides, China Precious Metal HK had also charged its shareholdings in Kai Yuan in favour of Shenzhen Anying.

Furthermore, according to the information available to the Joint and Several Liquidators, the entire equity interest in Zhuhai Munsun had failed to be sold at the auction held in early December 2022. Subsequently, the Pu'er City Intermediate People's Court delivered a further enforcement decision on 6 March 2023 to unfreeze the entire equity interest in Zhuhai Munsun and direct the 99% of the equity interest in Zhuhai Munsun be assigned to Shenzhen Anying as a repayment-in-kind for a consideration of RMB70 million in satisfying the outstanding liabilities comprising (i) loan principal of approximately RMB31.34 million; (ii) loan interest of approximately RMB26.42 million; (iii) arbitration fee of approximately RMB0.366 million; and (iv) interest of approximately RMB11.44 million accrued from outstanding loan principal, while the

surplus of RMB429,151.06 be returned to Shenzhen Baosheng. On 14 April 2023, Shenzhen Anying instructed Shenzhen Baosheng to transfer 99% of its then equity interest in Zhuhai Munsun to Gangyilong (Shenzhen) Trading Co., Ltd.* (港易龍(深圳)貿易有限公司).

Subsequently, according to the information available to the Joint and Several Liquidators, (i) Wah Heen had dissolved in May 2023; and (ii) China Precious Metal BVI has transferred its entire shareholding in each of Kai Yuan, China Precious Resources, Decent Connection, Sinowise and Able Supplement to nominees of Shenzhen Anying in around August 2023 pursuant to the corporate guarantees provided by it. Given that Wah Heen, Sinowise, Decent Connection and Able Supplement were the holding companies of Kong Chun, Fast Trend, T&R and Hong Kong Realking, respectively, the Offshore Subsidiaries (save for China Precious Metal HK) have ceased to be subsidiaries of the Company and the financial results of which will no longer be consolidated into the financial statements of the Group.

Financial effect of the De-consolidation

As a result, the accounts of Jinxing, Luoyang Yuliu, Zhuhai Munsun, Mojiang Mining, Luanling Gold Mine, Chifeng Yongfeng and Shenzhen Baosheng were de-consolidated from the Group's consolidated financial statements for the year ended 31 December 2021; while the accounts of Wah Heen, China Precious Resources, Sinowise, Decent Connection, Able Supplement and Kai Yuan were also treated as de-consolidated from the said financial statements for accounting purposes as the books and records of these companies were no longer in the possession of the Group and have been derecognised with effect from 1 January 2021. Please refer to the announcement of the Company dated 4 December 2023 in respect of the audited annual results of the Group for the year ended 31 December 2021 for further information.

The Company had assessed the financial impact of such de-consolidation, which was reviewed by its auditors, on the Group's consolidated financial statements for the year ended 31 December 2021. According to relevant accounting standards, the Group is required to derecognise the net book value of these entities upon the dates of deconsolidation and recognise the gain or loss on de-consolidation of subsidiaries. Based on the assessment, taking into account the assets and liabilities of the loss of control entities, the financial effect of de-consolidation of subsidiaries is a loss of approximately HK\$5,625 million with the breakdown set out below:

	HK\$ (in million) <i>(approx.)</i>
Intangible assets (including mining rights)	4,525
Fixed assets (including mining structures)	4,444
Investment in an associate	16
Investment in equity instruments at fair value through other comprehensive income	265
Deposits paid for acquisition of fixed assets and other deposit	57
Cash and bank balances	30
Pledged deposits	78
Trade and other receivables	366
Deposits and prepayments	143
Inventories	248
Amounts due from group companies	16
Trade and other payables	(1,695)
Bank and other borrowings	(2,275)
Deferred tax liabilities	(593)
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Loss on de-consolidation of subsidiaries	<u><u>5,625</u></u>

The Joint and Several Liquidators will continue to investigate into these de-consolidation. All the Group's rights in these de-consolidation entities will be transferred to the Scheme Company and the scheme administrator will deal with any possible recoveries for the benefit of the creditors of the Company.

BUSINESS UPDATE

Following the loss of control of the relevant subsidiaries of the Group as mentioned above, the Group no longer owned/operated five relevant gold mines since 2021. Nevertheless, the Group has strived to continue with its principal business operations in the gold-related business. After conducting a detailed review of the business operations and financial position of the Group during the Proposed Restructuring, the management of the Group considered that it would be in the interests of the Company and the Shareholders as a whole to place its financial resources, as well as management and business focus, on the mid-to-downstream sector of the value chain of the gold mining

industry, being the processing of gold ores and sales of gold products and other by-products. Since 2022, Luanchuan County Huiheng Mining Co., Ltd., a wholly-owned subsidiary of the Company, has been the main operating company to continue to develop the Group's core gold-related business in the processing of gold ores and sales of gold products and other by-products.

As of the date of this announcement, the Group holds a mining license for a gold mine located in the southeast region of Song County in Henan Province of the PRC, covering a mining area of approximately 5.847 km², which was acquired by the Group in September 2016. The validity period of the mining license is from May 2014 to May 2024 and the Group is currently in the course of preparing the application documents required for the renewal of such mining license. Since the acquisition of the mining license in 2016, no commercial production has commenced at such gold mine as the management of the Group has strategically decided to deploy the Group's resources principally in developing the production capacity and enhancing the mining efficiencies of the other then-existing gold mines operated by the Group. Going forward, subject to the improvement of the financial strength of the Group, the Group intends to continue its upstream gold mining operation with such gold mine.

As of the date of this announcement, the Group has ceased its financial services business in order to further converge its resources and dedicate to the continuous development of its gold-related business. For the metals and minerals trading business, the Group currently has no concrete business plans for active development. Nevertheless, the Group will continue to explore potential business opportunities and will not rule out the possibilities of developing this business segment if such opportunities arise, with reasonable profitability, and when there are adequate financial resources available to the Group.

CONTINUED SUSPENSION OF TRADING

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

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 4 December 2023

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

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

* *For identification purpose only*