



## **M Resources Group Limited**

**脈資資源集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 08186)**

### **ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED**

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*This announcement, for which the board (“Board”) of directors (“Directors”) of M Resources Group Limited (“Company”) collectively and individually accept full responsibility, includes particulars in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in this announcement misleading.*

The Board hereby presents the consolidated final results of the Company and its subsidiaries (“Group”) for the year ended 31 December 2022 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <b>HK\$’000</b>	2021 <i>HK\$’000</i>
Revenue	5	<b>22,312</b>	27,087
Cost of sales		<b>(19,686)</b>	(23,803)
Gross profit		<b>2,626</b>	3,284
Gain on derecognition of liabilities under the Scheme		<b>55,704</b>	–
Other income, gains and losses	6	<b>856</b>	(30)
Administrative expenses		<b>(6,152)</b>	(6,641)
Finance costs	7	<b>(1,157)</b>	(2,212)
Fair value loss on debt investment at fair value through profit or loss	14	<b>(402)</b>	(87)
Impairment loss on trade receivables		<b>(1,072)</b>	(740)
Impairment loss on other receivables		<b>(691)</b>	(115)
Profit/(loss) before income tax	8	<b>49,712</b>	(6,541)
Income tax	9	<b>(422)</b>	(746)
Profit/(loss) for the year attributable to owners of the Company		<b>49,290</b>	(7,287)
<b>Earnings/(loss) per share attributable to owners of the Company</b>	11		
Basic		<b>HK309.3 cents</b>	HK(46.8) cents
Diluted		<b>HK231.5 cents</b>	HK(46.8) cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Profit/(loss) for the year	<b>49,290</b>	(7,287)
<b>Other comprehensive income</b>		
Item that will not be reclassified subsequently to profit or loss:		
Fair value loss on equity investments at fair value through other comprehensive income, net of tax	<u>(148)</u>	<u>(632)</u>
<b>Other comprehensive income for the year, net of tax</b>	<u>(148)</u>	<u>(632)</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b><u>49,142</u></b>	<b><u>(7,919)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		2,544	2,634
Right-of-use assets		114	336
Prepayment		2,500	2,500
Equity investments at fair value through other comprehensive income	12	167	271
Debt investment at fair value through profit or loss	14	161	563
		<u>5,486</u>	<u>6,304</u>
<b>Current assets</b>			
Inventories		159	1,655
Trade receivables	13	10,693	11,974
Prepayments, other receivables and other assets		895	514
Bank balances and cash		4,960	1,857
		<u>16,707</u>	<u>16,000</u>
Total assets		<u>22,193</u>	<u>22,304</u>
<b>Current liabilities</b>			
Trade payables	15	2,433	7,888
Other payables and accruals		12,580	11,863
Other borrowing	16	–	8,449
Other loans	17	–	13,860
Bond payable	18	–	26,192
Lease liabilities		91	531
Tax payables		1,865	1,443
		<u>16,969</u>	<u>70,226</u>
<b>Net current liabilities</b>		<u>(262)</u>	<u>(54,226)</u>
<b>Total assets less current liabilities</b>		<u>5,224</u>	<u>(47,922)</u>

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		<u>35</u>	<u>34</u>
<b>NET ASSETS/(LIABILITIES)</b>		<b><u>5,189</u></b>	<b><u>(47,956)</u></b>
<b>Capital and reserves</b>			
Share capital	19	<b>2,277</b>	1,247
Reserves		<u>2,912</u>	<u>(49,203)</u>
<b>TOTAL EQUITY/(DEFICIT)</b>		<b><u>5,189</u></b>	<b><u>(47,956)</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2022

## 1. GENERAL INFORMATION AND DEBT RESTRUCTION

### 1.1 General information

M Resources Group Limited (“the Company”) is a limited liability company incorporated in Bermuda. The ordinary shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is located at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company’s principal place of business in Hong Kong is situated at 35/F, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong. The Group, comprising the Company and its subsidiaries, is principally engaged in the sales of household and plantation products and the sales of accessory items.

### 1.2 Updates on debts restructuring during the year

A winding-up petition dated 26 May 2021 was filed by a creditor of the Company to the High Court of Hong Kong (the “Court”) under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) to wind up the Company on the grounds that the Company was insolvent and unable to settle an overdue loan together with any unpaid interest in the prior year. The receipt of the winding-up petition constituted a default event under the terms and conditions of its perpetual bond and other loans during the financial year ended 31 December 2021. Given the Group’s highly indebted position in 2021, the Company had pursued a debt restructuring arrangement by way of scheme of arrangement (the “Scheme”) and applied to the Court for an adjournment of the winding-up petition during the financial year 2021. On 22 July 2022, the Court has sanctioned the Scheme which became effective on 27 July 2022. Following the sanction of the Scheme, on 8 August 2022, the Court has made an order that the winding-up petition was dismissed.

As stated on a list of creditors under the Scheme, the scheme creditors which comprising creditors being accounted for, in the books and records of the Group, as other borrowing, other loans, bond payable and other payables and accruals (the “Scheme Creditors”). The carrying amounts of other borrowing, other loans, bond payable and other payables and accruals as of the date of effective of the Scheme were approximately HK\$10,265,000, HK\$14,242,000, HK\$26,546,000 and HK\$6,039,000, respectively. These Scheme Creditors are entitled to elect either (i) settlement in cash representing 2% of their respective admitted claims; or (ii) settlement by way of allotment and issue of new shares of the Company on the basis of one new share of the Company for every HK\$10 of their respective admitted claims (the “Scheme Shares”), to fully settle their respective admitted claims. Out of the payable to Scheme Creditors amounted to approximately HK\$57,092,000, some of these Scheme Creditors with payable amounts of approximately HK\$914,000 had not chosen its settlement option of which are deemed to forfeit their right to receive settlement. Among the admitted claims from these remaining Scheme Creditors of approximately HK\$56,178,000, the Scheme Creditors with admitted claims of approximately HK\$12,123,000 and approximately HK\$44,055,000 have selected to receive cash settlement and Scheme Shares, respectively. The Company has to settle these Scheme Creditors in cash of approximately HK\$243,000 and in 4,405,465 Scheme Shares on 22 December 2022. Accordingly, the Group recognised a gain on derecognition of liabilities of approximately HK\$55,704,000 to the consolidated profit and loss of the Group and correspondingly recognised approximately HK\$352,000 and HK\$793,000 as share capital and share premium, respectively, arose from the issue of Scheme Shares. In addition, during the financial year ended 31 December 2021, the Company had entered into a facility agreement with a facility provider (the “Subscriber”) for the provision of a working capital loan for the Company to finance its operating costs and the costs associated with the Scheme. Pursuant to the subscription agreement entered into between the Company and the Subscriber on 24 August 2022, the working capital loan amounted to approximately HK\$4,662,000 will be settled by way of the allotment and issue of new shares to the Subscriber at HK\$0.55 per share (the “Subscription Shares”).

In respect of the issuance of Subscription Shares for the settlement of working capital loan of approximately HK\$4,662,000, the Company allotted and issued in total 8,476,364 Subscription Shares. The working capital loan has been classified as an equity instrument. The Group accounted for an increase in share capital and share premium of approximately HK\$678,000 and HK\$3,984,000, respectively, for the issuance of Subscription Shares.

## 2. ADOPTION OF HONG KONG ACCOUNTING STANDARDS AND INTERPRETATIONS (“HKAS”) AND HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

### 2.1 Adoption of new/revised HKFRSs – effective 1 January 2022

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

Amendments to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRSs 2018–2020	

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

### 2.2 New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants (“2022 Amendments”) <sup>2</sup>
HKFRS 17	Insurance Contracts and the Related Amendments <sup>1</sup>
Amendments to HKAS 1	Presentation of Financial Statements and HKFRS Practice Statement 2, Making Materiality Judgements: Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>1</sup>
Amendments to HKFRS 16	Leases: Liability in a Sales and Leaseback <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods on or after 1 January 2024.

***Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants***

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively. Earlier application is permitted.

The director of the Company is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

***HKFRS 17, Insurance Contracts***

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a "General Model", which is modified for insurance contracts with direct participation features, described as the "Variable Fee Approach". The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

Amendments in 2020 introduced changes to simplify some of the requirements; make financial performance easier to explain and ease transition by providing additional transition reliefs. Amendments in 2022 introduced a transition option relating to comparative information about financial assets presented on initial application of HKFRS 17 to avoid temporary accounting mismatches between financial assets and insurance contract liabilities.

The directors of the Company do not anticipate that the application of these standard and amendments in the future will have an impact on the financial statements.

***Amendments to HKAS 1, Presentation of Financial Statements and HKFRS Practice Statement 2, Making Materiality Judgements: Disclosure of Accounting Policies***

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary.

The directors of the Company are currently revisiting the accounting policy disclosures to ensure consistency with the amendments.



***Amendments to HKAS 8, Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates***

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

***Amendments to HKAS 12, Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction***

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

***Amendments to HKFRS 16, Leases: Liability in a Sales and Leaseback***

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

### **3. BASIS OF PREPARATION**

#### **3.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

#### **3.2 Basis of measurement and going concern assumption**

These consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

The Group recorded net profit for the year ended 31 December 2022 of approximately HK\$49,290,000 after the recognition of an one-off gain on derecognition of liabilities under the Scheme of approximately HK\$55,704,000. In other words, the Group was suffering from operating loss for the year if the one-off non-cash gain from derecognition of liabilities under the Scheme of Arrangement has not been taken into account. As at 31 December 2022, the Group’s current liabilities exceeded its current assets by approximately HK\$262,000. In addition, the Group had net operating cash outflow for the year ended 31 December 2022 of approximately HK\$57,000. These conditions may cast significant doubt about the Group’s ability to continue as a going concern. These consolidated financial statements were prepared based on going concern basis as the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations based on a projected cash flow covering 12 months from the date of reporting after taking account of the followings:

- (a) enhancing the collection of accounts receivable by monitoring repayments;
- (b) continuing to take measures to control discretionary expenses and administrative costs to improve the Group’s liquidity position and to reduce operating costs; and
- (c) broadening product offerings and customer base of the Group’s principal businesses to increase its profitability.

The Directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next 12 months from the date of report. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group’s assets to their net recoverable amounts, to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

#### **3.3 Functional and presentation currency**

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is the same as the functional currency of the Company.

#### 4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group reportable segments are managed separately as each business offers and requires different business strategies. During the year, the Group has three (2021: three) reportable operating segments:

- The sales of household products (the “Household Business”);
- The sales of plantation products (the “Plantation Business”); and
- The sales of accessory items (the “Accessory Business”)

The management of the Company monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is measure of adjusted profit or loss before income tax. The adjusted profit or loss before income tax is measured consistently with the Group’s profit or loss before income tax except that gain on derecognition of liabilities under the Scheme, unallocated finance costs, as well as corporate expenses are excluded from such measurement.

In the opinion of the Directors, the Group’s financial services business has been inactive for the past two years.

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

Segment liabilities exclude other borrowing, other loans, unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

The directors present the segment information for the current year after considered the aggregation criteria and quantitative thresholds. The segment presentation for the comparative figures in 2021 has been re-presented in order to align with the presentation in current year.

- (i) The following summary describes the operations in each of the Group's reportable segments:

	Year ended 31 December 2022			Total HK\$'000
	Household Business HK\$'000	Plantation Business HK\$'000	Accessory Business HK\$'000	
<b>Reportable segment revenue</b>	<b>11,244</b>	<b>4,902</b>	<b>6,166</b>	<b>22,312</b>
<b>Reportable segment profit/(loss)</b>	<b>602</b>	<b>(813)</b>	<b>625</b>	<b>414</b>
Gain on derecognition of liabilities under the Scheme				55,704
Unallocated corporate expenses				(5,252)
Unallocated finance costs				(1,154)
<b>Profit before income tax</b>				<b>49,712</b>
<b>Reportable segment assets</b>	<b>16,981</b>	<b>3,760</b>	<b>934</b>	<b>21,675</b>
Unallocated assets ( <i>note</i> )				518
<b>Total assets</b>				<b>22,193</b>
<b>Reportable segment liabilities</b>	<b>11,791</b>	<b>1,772</b>	<b>424</b>	<b>13,987</b>
Unallocated liabilities ( <i>note</i> )				3,017
<b>Total liabilities</b>				<b>17,004</b>
<b>Other information</b>				
Depreciation	–	71	–	71
Unallocated depreciation				355
				<b>426</b>
Impairment loss of trade receivables	<b>1,072</b>	–	–	<b>1,072</b>
Impairment loss of other receivables	–	<b>691</b>	–	<b>691</b>

	Year ended 31 December 2021			
	Household Business <i>HK\$'000</i> (Re-presented)	Plantation Business <i>HK\$'000</i> (Re-presented)	Accessory Business <i>HK\$'000</i> (Re-presented)	Total <i>HK\$'000</i>
<b>Reportable segment revenue</b>	<u>19,683</u>	<u>6,193</u>	<u>1,211</u>	<u>27,087</u>
<b>Reportable segment profit</b>	<u>1,341</u>	<u>(817)</u>	<u>49</u>	<u>573</u>
Unallocated corporate expenses				(4,905)
Unallocated finance costs				<u>(2,209)</u>
<b>Loss before income tax</b>				<u>(6,541)</u>
<b>Reportable segment assets</b>	17,086	3,433	39	20,558
Unallocated assets ( <i>note</i> )				<u>1,746</u>
<b>Total assets</b>				<u>22,304</u>
<b>Reportable segment liabilities</b>	12,378	1,540	42	13,960
Unallocated liabilities ( <i>note</i> )				<u>56,300</u>
<b>Total liabilities</b>				<u>70,260</u>
<b>Other information</b>				
Unallocated capital expenditure				747
Depreciation	–	81	–	81
Unallocated depreciation				<u>308</u>
				<u>389</u>
Impairment loss of trade receivables	740	–	–	740
Impairment loss of other receivables	–	55	–	55
Unallocated impairment loss of other receivables				<u>60</u>
				<u>115</u>

*Note:* Unallocated assets mainly represent corporate assets, financial assets at FVTOCI and at FVTPL.

Unallocated liabilities mainly represent corporate liabilities, other borrowing, other loans and bond payable.

(ii) **Geographical Information**

*Revenue from external customers*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	<u>5,350</u>	<u>7,404</u>
The PRC	<b>12,116</b>	7,029
The United States (the "US")	<u>4,846</u>	<u>12,654</u>
	<u>16,962</u>	<u>19,683</u>
	<b><u>22,312</u></b>	<b><u>27,087</u></b>

The classification of the revenue is based on the location of the customers' operation.

*Specified non-current assets*

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong (place of domicile)	<b>2,658</b>	2,970
The PRC	<u>2,500</u>	<u>2,500</u>

The specified non-current assets information above is based on the locations of the assets and/or locations of the operations.

(iii) **Information about major customers**

In 2022, revenues from two customers of the Group's Household Business amounted to approximately HK\$6,397,000 and HK\$4,847,000, one customer of the Group's Plantation Business amounted to approximately HK\$4,902,000, and one customer of the Group's Accessory Business amounted to approximately HK\$5,034,000, which individually represent 10% or more of the Group's revenue.

In 2021, revenues from two customers of the Group's Household Business amounted to approximately HK\$11,775,000 and HK\$7,908,000, one customer of the Group's Plantation Business amounted to approximately HK\$6,193,000, which individually represent 10% or more of the Group's revenue.

## 5. REVENUE

An analysis of revenue as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of household products	11,244	19,683
Sales of plantation products	4,902	6,193
Sales of accessory items	6,166	1,211
	<u>22,312</u>	<u>27,087</u>

### Disaggregated revenue information

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Time of revenue recognition</b>		
Goods transferred at a point in time	22,312	27,087

## 6. OTHER INCOME, GAINS AND LOSSES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government subsidies ( <i>note</i> )	36	–
Exchange gain/(loss), net	597	(102)
Sundry income	223	72
	<u>856</u>	<u>(30)</u>

*Note:* There were no unfulfilled conditions or other contingencies attaching to these subsidies. All government subsidies had been received for the year ended 31 December 2022. The Group did not benefit from other forms of government assistance.

## 7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest on lease liabilities	16	28
Interest on other borrowing	388	680
Interest on other loans	382	655
Interest on bond payable	354	849
Others	17	–
	<u>1,157</u>	<u>2,212</u>

## 8. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cost of inventories recognised as expenses	19,686	23,803
Auditors' remuneration		
– for the year*	1,100	1,200
– under-provision for prior year*	–	150
Depreciation of property, plant and equipment*	90	76
Depreciation of right-of-use assets*	336	313
Exchange loss, net	–	102
Staff costs (including Directors' emoluments):		
– Salaries and wages*	1,619	2,328
– Defined contribution scheme*	23	49
	<u>19,686</u>	<u>23,803</u>

\* Included in administrative expenses

## 9. INCOME TAX

The amount of income tax in the consolidated statement of profit or loss represents:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
– Hong Kong	–	8
– PRC	422	738
	<u>422</u>	<u>746</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Enterprise Income Tax Law of the PRC, the Enterprise Income Tax has been provided at the rate of 25% during the year (2021: 25%).



The income tax for the year can be reconciled to the profit/(loss) before income tax per the consolidated statement of profit or loss as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) before income tax	<u>49,712</u>	<u>(6,541)</u>
Tax calculated at the applicable tax rate of 16.5% (2021: 16.5%)	8,202	(1,079)
Effect of different tax rates	162	410
Tax effect of income not taxable for tax purpose	(9,191)	(4)
Tax effect of expenses not deductible for tax purposes	852	1,213
Tax effect of temporary differences not recognised	342	16
Effect of tax losses not recognised	<u>55</u>	<u>190</u>
Income tax	<u>422</u>	<u>746</u>

The Group had not recognised deferred tax assets in respect of tax losses available for offsetting future assessable profits and accelerated depreciation in respective jurisdiction as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Tax losses</b>		
– Hong Kong	<u>1,931</u>	<u>1,599</u>

The tax losses in Hong Kong could be carried forward with an infinity period.

## 10. DIVIDENDS

The Directors do not recommend any dividend for the year ended 31 December 2022 (2021: Nil).

## 11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	<u>49,290</u>	<u>(7,287)</u>
<b>Number of share (in '000)</b>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	15,938	15,585
Effects of:		
Issuance of shares under Scheme	1,916	–
Issuance of shares to new subscriber	3,437	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	<u>21,291</u>	<u>15,585</u>

The weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share has been adjusted for the consolidation of every eight existing ordinary shares of HK\$0.01 each into one consolidated ordinary share of HK\$0.08 each in February 2021 as if effective since 1 January 2021.

Further details on Note 1.2, the Scheme was effective on 27 July 2022 which the Scheme Creditors and Subscriber have the right to entitle the shares. In the opinion of directors, the dilutive effect shall be considered upon there was a right to issue shares. On 22 December 2022, 4,405,465 Scheme Shares have been allotted and issued to the Scheme Creditors and 8,476,364 Subscription Shares were issued to the Subscriber.

## 12. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Listed shares suspended for trading, at fair value	<u>167</u>	<u>271</u>

The equity investment were for medium-term investment purpose and designated by the Group as equity investment at FVTOCI. During the year, the Group further acquired additional listed shares at consideration of HK\$44,000 for investment. As at 31 December 2022, the Group recognised a fair value loss of approximately HK\$148,000 (2021: approximately HK\$632,000) in other comprehensive income. The Group did not receive any dividend income from the listed equity investments during the year (2021: Nil).

## 13. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	12,505	12,714
Less: Impairment allowances	<u>(1,812)</u>	<u>(740)</u>
	<u>10,693</u>	<u>11,974</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60–90 days (2021: 60–90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The ageing analysis of the Group's trade receivables at the end of each reporting period, based on invoice dates and net of impairment allowances, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	372	1,443
More than 1 month but within 2 months	348	1,155
More than 2 months but within 3 months	411	1,485
More than 3 months but within 6 months	120	4,214
More than 6 months but within 1 year	4,066	3,677
More than 1 year	<u>5,376</u>	<u>–</u>
	<u>10,693</u>	<u>11,974</u>

Trade receivables with significant balances and/or credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECLs on trade receivables which are not assessed individually using a provision matrix. As at 31 December 2022, the Group applied simplified approach to measure lifetime ECLs on the Group's trade receivables for the sales of household products of approximately HK\$11,254,000 (2021: approximately HK\$11,187,000) using probability of default approach. The ECL rate was 16.1% (2021: 6.6%) and the loss allowance was approximately HK\$1,812,000 (2021: approximately HK\$740,000).

As at 31 December 2022 and 2021, the Group applied simplified approach to measure life time ECLs on the Group's trade receivables for the sales of plantation products and sales of accessory items of approximately HK\$1,235,000 and HK\$16,000 (2021: approximately HK\$1,527,000 and Nil), respectively using a provision matrix.

#### 14. DEBT INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Convertible Bond Receivable, at fair value	<u>161</u>	<u>563</u>

In 2017, the Company subscribed the Convertible Bond Receivable with a principal amount of HK\$4,001,000 issued by an independent third party (the "CB Issuer") which bears interest at 1.5% per annum and is convertible into the 626,742 ordinary shares of the CB Issuer at a conversion price of HK\$6.38381 per share. During the year, the Group recognised a fair value loss of approximately HK\$402,000 (2021: approximately HK\$87,000) in profit or loss.

In 2020, the conversion option was matured and the Convertible Bond Receivable was in default. In the opinion of Directors, the principal amount is not expected to be settled within twelve months from the reporting date and therefore the carrying amount has been classified as non-current asset.

#### 15. TRADE PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables	<u>2,433</u>	<u>7,888</u>

The ageing analysis of trade payables at the end of each reporting period, based on invoice dates, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	750	3,838
More than 1 months but within 2 months	330	1,930
More than 2 months but within 3 months	619	2,120
More than 3 months but within 6 months	<u>734</u>	<u>–</u>
	<u>2,433</u>	<u>7,888</u>

## 16. OTHER BORROWING

	Effective interest rate %	2022 HK\$'000	2021 HK\$'000
Other borrowing – unsecured	8.5	–	8,449
Analysed into:			
Repayable within one year or on demand		–	8,449

As at 31 December 2021, the amount represented a loan from a financial institution with principal amount of HK\$8,000,000, interest-bearing at 8.5% per annum and was immediately repayable.

As further details on Note 1.2 to the financial statements, the Court sanctioned the Scheme in July 2022. The Group had Other Borrowing of approximately HK\$10,265,000 as at the date of effective of the Scheme, of which approximately HK\$10,060,000 has been discharged and approximately HK\$205,000 has been settled in cash after the Scheme being effective in July 2022.

## 17. OTHER LOANS

	2022 HK\$'000	2021 HK\$'000
Unsecured Other loans ( <i>note</i> )	–	13,860

*Note:*

As at 31 December 2021, the other loans were comprised of:

- a loan with carrying amount of approximately HK\$13,269,000 which was interest-bearing at 5% per annum and was immediately repayable; and
- a loan with carrying amount of approximately HK\$591,000 which was interest-bearing at 8% per annum and was immediately repayable.

As further details on Note 1.2 to this announcement, the Court sanctioned the Scheme in July 2022. The Group had Other Loans of approximately HK\$14,242,000 as at the date of effective of the Scheme, of which approximately HK\$13,877,000 has been discharged and approximately HK\$365,000 has been settled, by way of issuance of 1,404,325 shares which credited to capital at par and remaining to share premium, after the Scheme being effective in July 2022.

## 18. BOND PAYABLE

	2022	2021
Effective interest rate	–	2.86%
Perpetual bond ( <i>HK\$'000</i> )	–	26,192
	<u>                    </u>	<u>                    </u>

A total of approximately US\$3.23 million (equivalent to approximately HK\$25,000,000) perpetual bond with principal amount subject to contingent settlement provisions with certain specific uncertain events that are beyond the control of the Company and the holder, was issued by the Company on 28 April 2020. The bond was perpetual, non-redeemable in the first 10 years (with right to early redeem at tenth anniversary and/or the twentieth anniversary by the issuer) and entitle the holder to receive distributions at a distribution rate of 1% + U.S. 30 years government treasury bond per annum from 28 April 2020 and fixed at 1.207% from 28 April 2022. As at 31 December 2021, the bond was immediately repayable as a result of a default event under the terms and conditions of the bond.

As further details on Note 1.2 to the financial statements, the Court sanctioned the Scheme in July 2022. The Group had Bond Payable of approximately HK\$26,546,000 as at the date of effective of the Scheme, of which approximately HK\$25,856,000 has been discharged and approximately HK\$690,000 has been settled, by way of issuance of 2,654,523 shares which credited to capital at par and remaining to share premium, after the Scheme being effective in July 2022.

## 19. SHARE CAPITAL

	<i>Notes</i>	2022		2021	
		Number	Amount <i>HK\$'000</i>	Number	Amount <i>HK\$'000</i>
Authorised					
At 1 January		2,500,000,000	200,000	20,000,000,000	200,000
Share consolidation	(d)	<u>                    </u> –	<u>                    </u> –	<u>                    </u> (17,500,000,000)	<u>                    </u> –
At 31 December		<u>                    </u> 2,500,000,000	<u>                    </u> 200,000	<u>                    </u> 2,500,000,000	<u>                    </u> 200,000
Issued and fully paid					
At 1 January		15,585,331	1,247	145,440,151	1,455
Issue of shares under subscription agreement	(a)	8,476,364	678	–	–
Issue of shares under the Scheme	(b)	4,405,465	352	–	–
Cancellation of shares held for share award scheme ( <i>Note 30</i> )	(c)	–	–	(20,757,500)	(208)
Share consolidation	(d)	<u>                    </u> –	<u>                    </u> –	<u>                    </u> (109,097,320)	<u>                    </u> –
At 31 December		<u>                    </u> 28,467,160	<u>                    </u> 2,277	<u>                    </u> 15,585,331	<u>                    </u> 1,247

*Notes:*

- (a) As further details on Note 1.2 to the financial statements, on 24 August 2022, the Company entered into a subscription agreement with the Subscriber in respect of the settlement of the working capital loan of approximately HK\$4,662,000 by way of the allotment and issue of new shares to the Subscriber. On 22 December 2022, the Company allotted and issued in total 8,476,364 Subscription Shares and accounted for share capital of approximately HK\$678,000 and share premium of approximately HK\$3,984,000, respectively.

- (b) As further details on Note 1.2 to the financial statements, the Company has to settle admitted claims from its Scheme Creditors who selected settlement by way of Scheme Shares. On 22 December 2022, the Company allotted and issued in total 4,405,465 Scheme Shares and accounted for share capital of approximately HK\$352,000 and share premium of approximately HK\$793,000, respectively.
- (c) In August 2019, the then convertible bond was converted into 20,757,500 shares (as adjusted for the Share Consolidation) of the Company (the “Conversion Shares”).

As at 31 December 2020, the Conversion Shares were held by a trustee under the share award scheme and no award has been granted to any eligible person under the share award scheme as at 31 December 2020. Therefore, the shares held under the share award scheme are accounted for in the “Shares held for Share Award Scheme” account as at 31 December 2020. On 5 January 2021, the Company cancelled 20,757,500 shares held under its share award scheme.

- (d) On 4 February 2021, a share consolidation (the “Share Consolidation”) on the basis that every eight issued and unissued existing ordinary shares of HK\$0.01 each were consolidated into one consolidated share of HK\$0.08 each became effective. The Share Consolidation was approved by independent shareholders at the special general meeting held on 4 February 2021.

## **20. EVENTS AFTER THE REPORTING DATE**

Save as disclosed, the Group does not have any material events after the reporting period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL PERFORMANCE**

During the year ended 31 December 2022, the revenue of the Group decreased by 17.7% to HK\$22.3 million (2021: HK\$27.1 million). The Group's gross profit decreased to HK\$2.6 million (2021: HK\$3.3 million) but the gross profit margin remained at a similar level of 11.7% (2021: 12.2%). In July 2022, the Group's debt restructuring by way of a scheme of arrangement was sanctioned by the court and resulted in the Group recording an other income of HK\$55.7 million. As a result, the Group recorded a consolidated profit attributable to owners of the Company of HK\$49.3 million (2021: loss of HK\$7.3 million).

### **BUSINESS REVIEW**

The Group is principally engaged in the Household Business, Plantation Business and Accessory Business. Despite its financial services business being inactive in the past two years, the Group has been continuously making efforts to explore opportunities in the business segment. It is the intention of the Group to continue to focus on the development of its principal businesses and pursue appropriate business opportunities to activate this inactive business segment.

### **EVENTS AFTER THE REPORTING PERIOD**

Details of events after the reporting period are set out in note 20 to the consolidated financial statements.

### **RECENT DEVELOPMENT AND PROSPECTS**

Looking ahead, the outlook for the global economy is still uncertain. The challenges arising from the continuing Sino-United States conflict, interest rate hikes and tightening of monetary policies will continue to impact on the global economy and may inevitably affect the Group's business performance. The Company's experience in past years has shown that prompt response to changes in business landscape and prudent financial and liquidity management are key factors in withstanding major disruptions and uncertainties. The Group will proactively respond to the evolving market dynamics with an aim at achieving growth in recurring earnings. Given that the Group's financial position had returned to normality following implementation of the scheme of arrangement, the Company is confident that it is now in a good position to strengthen its business foundations for delivering solid performances in the coming years.

## **FINANCIAL RESOURCES, BORROWINGS AND LIQUIDITY**

During the year ended 31 December 2022, the Group's net cash used in operating activities amounted to HK\$0.06 million (2021: HK\$4.0 million) and net cash used in investing activities amounted to HK\$0.04 million (2021: HK\$0.2 million) and net cash generated from financing activities amounted to HK\$3.2 million (2021: HK\$4.5 million). As a result, the Group recorded a net cash inflow of HK\$3.1 million (2021: HK\$0.3 million).

As at 31 December 2022, the Group had total assets of HK\$22.2 million (2021: HK\$22.3 million) and total liabilities of HK\$17.0 million (2021: HK\$70.3 million) i.e. the Group had net asset of HK\$5.2 million (2021: net liabilities of HK\$48.0 million) and net asset value per share of HK\$0.18 (2021: net liabilities per share of HK\$3.1). The Group's current assets amounted to HK\$16.7 million (2021: HK\$16.0 million), of which HK\$5.0 million (2021: HK\$1.9 million) was cash and bank balances, and its current liabilities amounted to HK\$17.0 million (2021: HK\$70.2 million). The Group had no borrowing (2021: HK\$48.5 million).

## **CAPITAL STRUCTURE**

As at 31 December 2022, the total number of issued shares and the issued share capital of the Company were 28,467,160 (2021: 15,585,331) and HK\$2,277,000 (2021: HK\$1,247,000) respectively. The increase in the total number of issued ordinary shares and the issued share capital of the Company was resulted from the issue of 4,405,465 new shares under the scheme of arrangement and the issue of 8,476,364 new shares to a subscriber during the year.

## **FUND RAISING ACTIVITIES**

Save as disclosed above, the Company did not conduct any equity fund raising activities during the year ended 31 December 2022.

## **CAPITAL COMMITMENT, SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION AND DISPOSAL**

### **Capital Commitment**

There was no significant capital commitment of the Group outstanding as at 31 December 2022.

### **Significant Investment and Material Acquisition and Disposal**

There was no significant investment and material acquisition and disposal during the year ended 31 December 2022.

### **Charge on Assets of the Group**

As at 31 December 2022, no material asset of the Group had been pledged.



## **RISKS FACTORS**

### **COVID-19 Pandemic**

The World Health Organisation declared the COVID-19 a global health emergency in January 2020. Government authorities of the countries in which the Group operates have implemented various restrictive measures to contain the pandemic and such measures have directly and indirectly affect the operating results and liquidity position of the Group. The Directors will continue to assess the impact of the pandemic on the Group's businesses. Given the uncertainty on the duration of the pandemic which has become a new normal, the Group might experience further negative results and liquidity restraints and incur additional impairments on its assets.

### **Price**

The prices of the Group's products are subject to a number of factors, including consumer demand, market supply and substitutions available etc. If there is a continuous decline in the prices of the products, the profitability of the Group will be adversely affected.

### **Competition**

The Group's products are competitive and challenging due to pressure from rising production costs, volatile product prices and substitution of products. If the Group fails to respond to changes in market conditions and the market demand of its products, the financial performance of the Group will be adversely affected.

### **Credit Risk**

The Group has a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults of counter-parties. In order to minimise the credit risk of trade receivables, the management of the Group will monitor the Group's exposure to credit risk on an ongoing basis and periodically reviews the customers' settlement patterns. For the year ended 31 December 2022, the Group provided for an expected credit loss on trade receivables of HK\$1,072,000 (2021: HK\$740,000).

## **EMPLOYEES' INFORMATION**

As at 31 December 2022, the Group had 9 employees (2021: 9). The Group remunerates its employees based on their performance, working experience and the prevailing market conditions.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board considers good corporate governance a key element in managing the businesses and affairs of the Group. The management of the Group periodically reviews and proposes amendments to its corporate governance practices for compliance with the Corporate Governance Code set out in Appendix 15 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Corporate Governance Code.

### **Chairperson and Chief Executive**

To ensure a balance of power and authority, a clear division of the responsibilities of the chairperson of the Board and the chief executive has been set out such that the chairperson is mainly responsible for providing leadership to the Board, encouraging all Directors to make full and active contributions to the Board's affairs and ensuring that the Board acts in the best interest of the Group, as well as matters relating to corporate governance of the Company and its communication with its shareholders. The chief executive is responsible for the implementation of the Group's strategies and policies adopted by the Board in achieving the overall commercial objectives and assumes full accountability to the Board for the operation of the Group. During the year, the office of the chief executive was vacated. The Board will keep identifying a suitable candidate and should a candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the post as appropriate.

### **AUDIT COMMITTEE**

The audit committee of the Board has been established with written terms of reference in compliance with the GEM Listing Rules. The audit committee's primary duties include reviewing the annual, interim and quarterly financial reports of the Company and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee currently comprises all of independent non-executive Directors. The audit committee has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2022 and discussed auditing, internal control and financial reporting matters with the Group's auditors. There was no disagreement between the auditors and the audit committee in respect of the accounting policies adopted by the Group.

### **SCOPE OF WORK OF AUDITORS**

The figures in respect of the announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditors, BDO Limited ("BDO"), to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022. The work performed by BDO 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 HKICPA and consequently no assurance has been expressed by BDO on the announcement.

## ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 will be despatched to its shareholders and published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.m-resources.com.hk](http://www.m-resources.com.hk)) as soon as practicable.

By Order of the Board of  
**M Resources Group Limited**  
**Chan Ho Yee**  
*Executive Director*

Hong Kong, 31 March 2023

*As at the date of this announcement, the board of directors comprises Ms. Chan Ho Yee as executive director, and Ms. Pang King Sze, Rufina, Mr. Hong Bingxian and Mr. Huang Zhe as independent non-executive directors.*

*This announcement will remain on the “Latest Company Announcements” page of the website of the Stock Exchange at <http://www.hkexnews.hk> for seven days from the date of its publication and on the website of the Company at <http://www.m-resources.com.hk>.*