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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00039)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2017

The board of directors (the "**Board**") of China Beidahuang Industry Group Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017 (the "**Period**") together with comparative figures. The results for the Period are unaudited, but have been reviewed by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**323,406**	351,280
Cost of sales		**(245,974)**	(296,288)
Gross profit		**77,432**	54,992
Other income	*4*	**35,511**	24,699
Selling and distribution expenses		**(4,699)**	(3,689)
Administrative expenses		**(83,049)**	(40,693)
Finance costs	*5*	**(10,911)**	(3,527)
Share of loss of associates		**(591)**	(819)
Gain on disposal of a subsidiary		**9,683**	–

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
PROFIT BEFORE TAX	*6*	**23,376**	30,963
Income tax expenses	*7*	**(1,303)**	(100)
PROFIT FOR THE PERIOD		**22,073**	30,863
Attributable to:			
Owners of the parent		**806**	13,369
Non-controlling interests		**21,267**	17,494
		22,073	30,863
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**HK0.02 cents**	HK0.29 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**22,073**	30,863
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Release of exchange difference upon the disposal of a subsidiary	**381**	–
Exchange differences arising on translation of foreign operations	**24,831**	(22,272)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**25,212**	(22,272)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**47,285**	8,591
Attributable to:		
Owners of the parent	**25,255**	(8,135)
Non-controlling interests	**22,030**	16,726
	47,285	8,591

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**138,053**	84,801
Investment properties		**376,746**	97,448
Financial assets at fair value through profit or loss		**54,549**	63,997
Loan receivables		**44,065**	31,798
Rental deposit paid		**20,453**	20,592
Goodwill		**92,119**	90,098
Other intangible assets		**135,599**	136,863
Interests in associates	*10*	**280,963**	322,684
Total non-current assets		**1,142,547**	848,281
CURRENT ASSETS			
Inventories		**19,592**	23,273
Trade receivables	*11*	**177,099**	35,582
Amounts due from contract customers		**8,150**	78,707
Prepayments, deposits and other receivables	*12*	**310,161**	266,080
Due from non-controlling shareholders of subsidiaries		**98**	132
Due from related parties		**–**	4,497
Loan receivables		**253,057**	50,644
Pledged deposits		**57,560**	6,700
Cash and cash equivalents		**111,713**	62,539
Total current assets		**937,430**	528,154
CURRENT LIABILITIES			
Trade and bills payables	*13*	**203,600**	120,016
Other payables and accruals		**134,864**	149,115
Interest-bearing bank and other borrowings		**239,997**	83,837
Tax payable		**190**	1,801
Total current liabilities		**578,651**	354,769
NET CURRENT ASSETS		**358,779**	173,385
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,501,326**	1,021,666

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**44,494**	42,109
Convertible bonds	**188,394**	–
Total non-current liabilities	**232,888**	42,109
Net assets	**1,268,438**	979,557
EQUITY		
Equity attributable to owners of the parent		
Share capital	**509,706**	467,160
Reserves	**682,570**	458,265
	1,192,276	925,425
Non-controlling interests	**76,162**	54,132
Total equity	**1,268,438**	979,557

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016.

The financial information has been prepared under the historical cost convention. The Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs

The adoption of these revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there has been no significant changes to the accounting policies in the unaudited interim condensed consolidated financial statements.

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 2	Classifications and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKAS 40	Transfers to Investment Property[1]
Annual Improvements 2014-2016 Cycle	Amendments to a number of HKFRSs[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]

1 *Effective for annual periods beginning on or after 1 January 2018*

2 *Effective for annual periods beginning on or after 1 January 2019*

3 *No mandatory effective date yet determined but available for adoption*

4 *Effective for annual periods beginning on or after 1 January 2018, with early application permitted*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

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

(b) the sales of green food products segment is engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food manufactured by Heilongjiang Beidahuang Agribusiness Group Corporation;

(c) the PPP construction segment is engaged in the construction for municipal public project;

(d) the mineral product segment is engaged in the flotation selection of non-ferrous metals mines and, sales of mineral products;

(e) the rental of logistic warehouse segment is engaged in the leasing of logistic facilities in Hong Kong and office facilities in PRC; and

(f) the money lending segment is engaged in the provision of money lending services.

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

No intersegment sale and transfer was transacted for the six months ended 30 June 2017 and 2016.

	Wine and liquor (Unaudited) *HK$'000*	Sales of green food products (Unaudited) *HK$'000*	PPP construction (Unaudited) *HK$'000*	Flotation Selection of Non-Ferrous Metals Mines and, Sales of Mineral Products (Unaudited) *HK$'000*	Rental of logistic warehouse (Unaudited) *HK$'000*	Money Lending (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 30 June 2017								
Segment revenue:								
Sales to external customers	**22,511**	**112,981**	**65,663**	**15,998**	**91,581**	**14,672**	**–**	**323,406**
Other revenue	**1**	**720**	**–**	**1,011**	**30,940**	**–**	**–**	**32,672**
	22,512	**113,701**	**65,663**	**17,009**	**122,521**	**14,672**	**–**	**356,078**
Segment results	**41**	**6,967**	**804**	**12,053**	**68,957**	**9,744**		**98,566**
Reconciliation:								
Interest income								**73**
Unallocated other operating income								**2,766**
Gain on disposal of a subsidiary								**9,683**
Finance costs								**(6,085)**
Corporate and other unallocated expenses								**(81,627)**
Profit before tax								**23,376**

	Wine and liquor (Unaudited) *HK$'000*	Sales of green food products (Unaudited) *HK$'000*	PPP construction (Unaudited) *HK$'000*	Flotation Selection of Non-Ferrous Metals Mines and, Sales of Mineral Products (Unaudited) HK$'000	Rental of logistic warehouse (Unaudited) *HK$'000*	Money Lending (Unaudited) *HK$'000*	Others (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 30 June 2016								
Segment revenue:								
Sales to external customers	16,768	254,758	50,349	–	15,150	2,690	11,565	351,280
Other revenue	1,366	–	–	–	–	112	–	1,478
	18,134	254,758	50,349	–	15,150	2,802	11,565	352,758
Segment results	(778)	252	37,384	–	(573)	1,082		37,367
Reconciliation:								
Interest income								908
Unallocated other operating income								22,313
Finance costs								(3,527)
Corporate and other unallocated expenses								(26,098)
Profit before tax								30,963

4. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after allowances for returns and trade discounts; the gross rental income from logistic warehouse and subleasing fee income, net of business tax and income from loan receivable during the Period.

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Construction income	**65,663**	50,349
Sale of goods	**151,490**	281,010
Rental income	**91,581**	17,231
Interest income	**14,672**	2,690
	323,406	351,280
Other income		
Compensation income	**9,477**	–
Interest income	**73**	908
Gain on bargain purchase	**613**	–
Lapse of share options	**–**	22,239
Valuation gain on investment properties	**22,183**	–
Others	**3,165**	1,552
	35,511	24,699

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**8,434**	3,527
Imputed financial cost on convertible bonds	**2,477**	–
	10,911	3,527

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Continuing operations		
Cost of inventories sold	**131,493**	276,212
Depreciation	**2,045**	2,838
Equity-settled share option expense	**28,344**	18,558
Amortisation of other intangible assets	**5,440**	70

7. INCOME TAX

During the Period, no Hong Kong profits tax has been provided as there was no assessable profit arising from Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the People's Republic of China ("PRC") in which the Group operates.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current	**247**	108
Deferred	**1,056**	(8)
Total tax expenses for the period	**1,303**	100

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2017 (2016: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(HK$'000)*	**806**	13,369
Weighted average number of ordinary shares in issue *('000)*	**5,058,463**	4,668,444
Basic earnings per share *(HK cents)*	**0.02**	0.29

(b) Diluted

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2017	2016
	'000	*'000*
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**5,058,463**	4,668,444
Effect of dilutive potential ordinary shares	**3,369**	8,979
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,061,832**	4,677,423

	2017	2016
	(Unaudited)	(Unaudited)
Earnings per share – diluted *(HK cents)*	**0.02**	0.29

10. INTERESTS IN ASSOCIATES

	30 June 2017	31 December 2016
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Share of net assets	**291,338**	283,186
Advances to associates	**(10,375)**	39,498
	280,963	322,684

On 6 June 2016, Shenzhen Penda Rongtong Trading Limited ("**SZPRT**"), an indirect wholly owned subsidiary of the Company entered into the sales and purchases agreement with an independent third party to acquire 30% of equity interest of 深圳市聖思銘商貿有限公司 ("**SZSSM**"). SZSSM is principle engaged in general trading in the PRC. SZPRT contributed RMB45,000,000, representing 30% of the total registered capital of SZSSM. SZSSM became an associate of the Group.

11. TRADE RECEIVABLES

Other than the cash and credit card sales, the Group allows a credit period which is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit.

None of the trade receivables is impaired. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2017 (Unaudited) ***HK\$'000***	31 December 2016 (Audited) *HK\$'000*
Within 1 month	**91,918**	28,807
1 to 2 months	**118**	85
2 to 3 months	**–**	846
Over 3 months	**85,063**	5,844
	177,099	35,582

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2017 (Unaudited) ***HK\$'000***	31 December 2016 (Audited) *HK\$'000*
Prepayments	**31,400**	14,252
Deposits and other receivables	**278,761**	251,828
	310,161	266,080

As at 30 June 2017, prepaid rent for logistic facilities in Hong Kong and office facilities in PRC were approximately HK$17,264,000 (31 December 2016: HK$2,328,000).

Included in "Deposits and other receivables" of the Group, approximately HK$26,708,000 as at 30 June 2017 (31 December 2016: HK$65,116,000) were unsecured, interest-bearing at monthly rate of 3%, due from an independent third party and will be repaid within one year.

Rental deposits and construction deposit for the warehouse amounting to HK$6,996,000 (31 December 2016: HK$6,969,000) and HK$24,400,000 (31 December 2016: HK$6,960,000) were paid for the warehouse logistic business respectively.

As at 30 June 2017, approximately HK$92,962,000 (31 December 2016: HK$60,330,000) was paid as trade deposit for trading goods of wine and liquor business, green food products and mineral products.

Approximately HK$17,268,000 (31 December 2016: HK$17,535,000) were the progress payment for the investment targets. Retention money of contract work paid for construction business was approximately HK$9,643,000 (31 December 2016: HK$10,411,000).

At the end of the reporting period, there was no provision for other receivables (31 December 2016: Nil).

Save as disclosed above, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. TRADE AND BILLS PAYABLES

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

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Within 1 month	**65,576**	112,652
1 to 2 months	**–**	1,117
2 to 3 months	**–**	–
Over 3 months	**138,024**	6,247
	203,600	120,016

The trade payables are non-interest-bearing and are normally settled on 30-day terms and 180-day terms.

As at 30 June 2017, bills payable of approximately HK$115,120,000 (2016: HK$17,513,000) were secured by the pledged deposits of the Group.

All the trade payable are denominated in Renminbi.

14. ACQUISITION OF SUBSIDIARIES

(i) On 13 January 2017, the Company entered into the Equity Transfer Agreement with the owner of Shenzhen Ming Jian Enterprise Limited ("Ming Jian"). The Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 100% equity interest in Ming Jian at a consideration of RMB220 million. The transaction was completed on 10 February 2017 and after that day, Ming Jian became a subsidiary of the Group.

The fair value of the identifiable assets and liabilities of Ming Jian at the date of acquisition were as follows:

	2017
	(Unaudited)
	HK$'000
Investment property	**253,891**
Cash and cash equivalents	**22**
Other payables and accruals	**(36)**
Total identifiable net assets subject to acquisition	**253,877**
Gain on bargain purchase	**(613)**
Satisfied by cash consideration and share allotment	**253,264**

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition is as follows:

	2017
	(Unaudited)
	HK$'000
Cash consideration	**219,522**
Share allotment	**33,742**
Cash and bank balances acquired	**(22)**
Net outflow of cash and cash equivalents included in cash flows used in investing activities	**253,242**

(ii) On 3 April 2017, the Company entered into the Equity Transfer Agreement with the owner of Shenzhen Huajinhuayin Industry Company Limited ("Huajinhuayin") which has a wholly-owned subsidiary, Linxiang Qiangsheng Mining Industry Company Limited ("Qiangsheng"). The Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 100% equity interest in Huajinhuayin and Qiangsheng ("Huajinhuayin's Group") at a consideration of RMB90 million. The transaction was completed on 6 June 2017 and after that day, Huajinhuayin and Qiangsheng became subsidiaries of the Group.

The fair value of the identifiable assets and liabilities of Huajinhuayin's Goup at the date of acquisition were as follows:

	2017 **(Unaudited)** ***HK$'000***
Property, plant and equipment	**31,414**
Deferred expenses	**239**
Inventories	**297**
Trade receivables	**111,189**
Prepayments, deposits and other receivables	**37,046**
Cash and cash equivalents	**3,047**
Trade payables	**(18,569)**
Other payables and accruals	**(56,230)**
Short term borrowings	**(5,526)**
Total identifiable net assets subject to acquisition	**102,907**
Goodwill on acquisition	**701**
Satisfied by cash consideration	**103,608**

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition is as follows:

	2017 **(Unaudited)** ***HK$'000***
Cash consideration	**103,608**
Cash and bank balances acquired	**(3,047)**
Net outflow of cash and cash equivalents included in cash flows used in investing activities	**100,561**

(iii) On 1 March 2016, Shenzhen Penda Rongtong Trading Limited, an indirect wholly-owned subsidiary of the Company entered into the First Share Transfer Agreement and the Second Share Transfer Agreement with the owner of Shenzhen Tronsin Illuminating Technique Limited ("SZTI") and Fujian Fang Run Construction Group Company Limited ("FJFR") respectively. The Company has conditionally agreed to acquire from both of the vendors 51% equity interests in SZTI and FJFR at a consideration of RMB35 million and RMB50 million respectively.

The precedent conditions to the First and Second Transfer Agreements were fulfilled and the completion of the two agreements took place on 24 March 2016.

The fair value of the identifiable assets and liabilities of SZTI and FJFR as the date of acquisition were as follows:

		2016	
	SZTI	**FJFR**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Property, plant and equipment	281	3,696	3,977
Inventories	225	23,967	24,192
Trade receivables	2,950	–	2,950
Prepayments, deposits and other receivables	1,924	24,784	26,708
Cash and cash equivalents	98	36	134
Other payables and accruals	(10,339)	(24,713)	(35,052)
Total identifiable net assets	(4,861)	27,770	22,909
Less: Non-controlling interest upon acquisition	2,382	(13,607)	(11,225)
Total identifiable net assets subject to acquisition	(2,479)	14,163	11,684
Goodwill on acquisition	43,342	44,212	87,554
Satisfied by cash consideration	40,863	58,375	99,238

As analysis of the cash flows in respect of the acquisitions of SZTI and FJFR are as follows:

	2016		
	SZTI	**FJFR**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Cash consideration	40,863	58,375	99,238
Cash and bank balance acquired	(98)	(36)	(134)
Net outflow of cash and cash equivalents included in cash flows used in investing activities	40,765	58,339	99,104

Impact of acquisition on the results of the Group

Ming Jian contributed turnover of approximately HK$845,000 and net profit of approximately of HK$13,043,000 respectively to the Group for the period from the acquisition date to 30 June 2017.

If the acquisition had been completed on 1 January 2017, Ming Jian would have contributed turnover of approximately HK$1,021,000 and net profit of approximately HK$13,217,000 respectively to the Group for the period ended 30 June 2017.

Huajinhuayin's Group contributed turnover of approximately HK$15,998,000 and net profit of approximately of HK$11,697,000 respectively to the Group for the period from the acquisition date to 30 June 2017.

If the acquisition had been completed on 1 January 2017, Huajinhuayin's Group would have contributed turnover of approximately HK$54,152,000 and net profit of approximately HK$13,044,000 respectively to the Group for the period ended 30 June 2017.

The unaudited pro-forma financial information set out above is for illustrative purpose only on the effect of the acquisition of Ming Jian and Huajinhuayin's Goup having been completed at the beginning of the period ended 30 June 2017. The unaudited pro-forma financial information set out above is not necessarily an indication of turnover and results of the continuing operations of the Group nor is it intended to be a projection of future results.

SZTI contributed turnover of approximately HK$9,848,000 and net loss of approximately of HK$353,000 respectively to the Group for the period from the acquisition date to 30 June 2016.

If the acquisition had been completed on 1 January 2016, SZTI would have contributed turnover of approximately HK$9,848,000 and net loss of approximately HK$2,592,000 to the Group for the period ended 30 June 2016.

FJFR contributed turnover of approximately HK$50,349,000 and net profit of approximately of HK$37,999,000 respectively to the Group for the period from the acquisition date to 30 June 2016.

If the acquisition had been completed on 1 January 2016, FJER would have contributed turnover of approximately HK$54,391,000 and net profit of approximately HK$36,223,000 to the Group for the period ended 30 June 2016.

The unaudited pro-forma financial information set out above is for illustrative purpose only on the effect of the acquisition of SZTI and FJFR having been completed at the beginning of the period ended 30 June 2016. The unaudited pro-forma financial information set out above is not necessarily an indication of turnover and results of the continuing operations of the Group nor is it intended to be a projection of future results.

15. DISPOSAL OF A SUBSIDIARY

The Group disposed the entire issued capital held of Hunan Meiming Wenshi Jiugujiu Sales Limited ("**Hunan Meiming**") to an independent third party for a cash consideration of RMB10,000,000. On 30 May 2017, the Group lost the control of Hunan Meiming.

	2017
	(Unaudited)
	HK$'000
Total consideration	**11,512**
Less: Net liabilities including in assets of disposed groups of:	
Property, plant and equipment	**5**
Inventories	**3,573**
Trade receivables	**1,679**
Prepayments, deposits and other receivables	**1,266**
Due from related parties	**(138)**
Cash and cash equivalents	**617**
Trade payables	**(63)**
Other payables and accruals	**(4,661)**
Tax payable	**(830)**
	1,448
Add: Release of exchange difference upon disposal	**(381)**
Gain on disposal of a subsidiary	**9,683**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

	2017
	(Unaudited)
	HK$'000
Cash consideration	11,512
Cash and cash equivalents disposed of	(617)
Net inflow of cash and cash equivalents in respect of the disposal	10,895

16. EVENTS AFTER THE REPORTING PERIOD

On 17 July 2017, the Company entered into the subscription agreements separately with five subscribers for the subscription of an aggregate of 308,662,450 subscription shares at the subscription price of HK$0.42 per subscription share. The condition precedent to the subscription agreements has been fulfilled and completion of the said subscription took place on 3 August 2017. The net proceeds from the said subscription, after deducting the expenses payable by the Company, is approximately HK$129.5 million.

Details of the said subscription are set out in the announcements of the Company dated 17 July 2017, 21 July 2017 and 3 August 2017 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the Period, the Group achieved a revenue of approximately HK$323.4 million (2016: HK$351.3 million), representing a decrease of 7.9% when compared with the corresponding period last year. Gross profit of the Group was approximately HK$77.4 million (2016: HK$55.0 million). The profit (net of taxation) was HK$22.1 million (2016: HK$30.9 million).

Profit attributable to owners of the parent was approximately HK$0.8 million (2016: HK$13.4 million). Earnings per share for the Period was HK0.02 cents (2016: HK0.29 cents).

The Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group's businesses, both organically and through acquisitions when appropriate opportunities arise. The Group also plans to diversify the business mix and will seek for good investment opportunity with major focus in the People's Republic of China (the "**PRC**") and Hong Kong. Diversifications would be carefully selected among all the choices we explored and would be operated with experienced business partners.

Segmental Information

Wine and Liquor Business

The Group's wine and liquor business is principally engaged in the sale and distribution of wine and liquor in the PRC. Currently, the Group operates a retail and distribution network for selling wine and liquor in Guangzhou, Harbin and Hunan Province of the PRC. The Group has 8 wine and liquor specialty stores and 19 franchise stores in Guangzhou.

The Group is the exclusive distributor of Diancang Jiugui and Meiming Wenshi in the PRC until May 2020.

Since 2012, the revenue of this business segment has been hit by the PRC government's calls for cracking down on extravagance in government departments and state-owned institutions and enterprises as well as the plasticiser contamination scandal. The operating environment of the liquor industry in the PRC remained difficult during the Period. The Group will closely monitor the market situations and trends and adopt corresponding measures of risk management to alleviate the negative impacts. Meanwhile, the Group will continue to improve the product mix and focus on higher margin products to grow its business. Apart from strengthening the established markets, the Group will strive to expand its retail and distribution network to other parts of the PRC.

After few years' rectification, the Group has adapted to the market changes. During the Period, the wine and liquor business recorded a revenue of approximately HK$22.5 million (2016: HK$16.8 million), up 33.9% when compared with the corresponding period last year and accounted for 7.0% (2016: 4.8%) of the total revenue.

Sales of Green Food Products Business

The sales of green food products business recorded a revenue of approximately HK$113.0 million (2016: HK$254.8 million) and accounted for 34.9% (2016: 72.5%) of the total revenue. As the gross profit ratio of this segment is low, the Group spent more resources in other segments so that the sales of green food products decreased.

Rental of Logistic Facilities and Office Facilities Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK$91.6 million (2016: HK$15.2 million) and accounted for 28.4% (2016: 4.3%) of the total revenue. The Group started the operation of this business last year and the business is still developing. The operation is more mature this year. More logistic and office facilities can be rented out and the occupancy rate is higher so that the revenue increased significantly.

Money Lending Business

The wholly-owned subsidiary of the Company incorporated in the PRC has been engaged in the money lending business in the PRC. The money lending business recorded a revenue of HK$14.7 million (2016: HK$2.69 million), accounting for 4.5% (2016: 0.8%) of the total revenue. The increase was due to more fund was allocated to this business. Gross profit of this business segment for the Period was approximately HK$14.7 million.

PPP Construction Business

Through participating in the PPP projects, the Group derived a revenue of approximately HK$65.7 million (2016: HK$50.3 million) and accounted for 20.3% (2016: 14.3%) of the total revenue from the execution of the contractual works contemplated under the PPP projects and the provision of on-going maintenance services in relation to the PPP projects during the Period.

Flotation Selection of Non-Ferrous Metals Mines and Sales of Mineral Products Business

The flotation selection of non-ferrous metals mines and sales of mineral products recorded a revenue of approximately HK$16.0 million (2016: Nil) and accounted for 4.9% (2016: Nil) of the total revenue. The Group acquired this business during the Period and is expected to spend more resources to develop this segment.

Financial Review

For the Period, the Group achieved a revenue of approximately HK$323.4 million (2016: HK$351.3 million), representing a decrease of 7.9% when compared with the corresponding period last year.

Gross profit of the Group was approximately HK$77.4 million (2016: HK$55.0 million). The profit (net of taxation) was approximately HK$22.1 million (2016: HK$30.9 million). Profits attributable to owners of the parent was approximately HK$0.8 million (2016: HK$13.4 million). Earnings per share for the Period was HK0.02 cents (2016: HK0.29 cents).

Selling and distribution expenses were approximately HK$4.7 million (2016: HK$3.7 million), representing an increase of 27.0% when compared with the corresponding period last year and 1.5% (2016: 1.1%) of the Group's revenue.

Administrative expenses were approximately HK$83.0 million (2016: HK$40.7 million), representing an increase of 103.9% when compared with the corresponding period last year. The increase was due to the equity-settled share option expenses amounting to HK$28.3 million and the relevant costs incurred for acquisition of the subsidiaries (2016: Nil).

Finance costs was approximately HK$10.9 million (2016: HK$3.5 million), representing an increase of 211.4% when compared with the corresponding period last year. The increase was because convertible bonds interest was incurred and more bank loans were drawn down during the Period.

Acquisition of Subsidiaries

(i) On 13 January 2017, the Company entered into an equity transfer agreement with the vendor pursuant to which the Company conditionally agreed to acquire the 100% equity interest in 深圳明建金業有限公司 (Shenzhen Ming Jian Gold Industry Limited*) at a consideration of RMB220 million payable by two instalments, in which RMB190 million would be settled by cash within one month upon signing of the said equity transfer agreement and RMB30 million settled by way of the Company allotting and issuing 76,686,332 consideration shares at the issue price of HK$0.44 per consideration share to the vendor or her designated nominee(s).

The conditions precedent to the above equity transfer agreement were fulfilled and the completion of the agreement took place on 10 February 2017.

Details of the above transaction were disclosed in the announcements of the Company dated 13 January 2017, 16 January 2017 and 10 February 2017 respectively.

(ii) On 3 April 2017, the Company entered into an equity transfer agreement pursuant to which the Company conditionally agreed to acquire the 100% equity interest in 深圳市華金華銀實業有限公司 (Shenzhen Huajinhuayin Industry Company Limited*) ("**Target Company**") at a consideration of RMB90 million to be settled by cash within one month from the date of the fulfilment of the conditions precedent to the said equity transfer agreement. The subsidiary of the Target Company is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products.

The conditions precedent to the said equity transfer agreement were fulfilled and the completion of the agreement took place on 6 June 2017.

Details of the above transaction were disclosed in the announcements of the Company dated 3 April 2017 and 7 June 2017 respectively.

Disposal of a Subsidiary

On 30 May 2017, the Group disposed the entire issued capital of Hunan Meiming Wenshi Jiugujiu Sales Limited to an independent third party for a consideration of RMB10 million. The Group has a gain of approximately HK$9.6 million as a result of the disposal.

Placing of Convertible Bonds under General Mandate

On 7 April 2017, the Company entered into a placing agreement with the placing agent for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six placees to subscribe in cash for the convertible bonds on the terms and subject to the conditions set out in the said placing agreement.

The condition precedent to the placing agreement has been fulfilled and completion of the placing took place on 8 June 2017. Accordingly, the convertible bonds in the aggregate principal amount of HK$200 million have been issued by the Company to not less than six placees. Based on the initial conversion price of HK$0.40 per conversion share, a maximum number of 500 million shares may fall to be allotted and issued upon the exercise of the conversion rights attaching to the convertible bonds in full.

The gross and net proceeds from the placing are estimated to be approximately HK$200 million and HK$195 million respectively. The net price for the placing is approximately HK$0.39 per conversion share. The Company intends to apply the net proceeds from the placing for the Group's settlement of loans, business development, investments and general working capital purposes.

Details of the above placing were set out in the announcements of the Company dated 7 April 2017, 9 May 2017 and 8 June 2017 repectively.

Business Prospects

The Group will continue to explore new markets and step up promotion and marketing efforts to expand the existing business. The Group will also look for other potential businesses and related profitable businesses for acquisition.

Joint Ventures

(i) On 22 December 2015, subject to the fulfilment of the conditions precedent, an indirect wholly-owned subsidiary of the Company entered into a joint venture agreement with an independent third party to establish a joint venture company on a 49:51 basis for the development and the operation of a logistic industrial park in Shenzhen, the PRC. Details of the said joint venture agreement were disclosed in the announcement of the Company dated 22 December 2015.

The joint venture company was set up on 24 February 2016 and is preparing detailed construction plan and business plan for submission to the relevant PRC government departments. The negotiation with the government is still under progress and construction has not yet started.

(ii) On 30 December 2015, the Company and 中發軍融科技股份公司 (Zhongfa Junrong Technology Joint Stock Company*) entered into a strategic cooperation framework agreement, pursuant to which the parties shall cooperate and explore the possibility of developing production industrial parks and logistic industrial parks in the PRC by way of joint venture arrangements. As at the date of this announcement, no joint venture agreement has been signed.

(iii) On 26 January 2016, the Company entered into a strategic co-operation framework agreement with the People's Government of Jishou and 湖南鑫成置業發展集團有限責任公司 (Hunan Xincheng Real Estate Development Group Co., Ltd.*). Pursuant to the said agreement, the parties shall co-operate and explore the possibility of expediting certain municipal projects (including city infrastructure facility constructions, road and railway constructions, and lighting) and developing production industrial parks in Jishou, Hunan Province, the PRC by way of joint venture arrangements. It is expected that the Group's investment return from participating in the PPP projects in Jishou would be relatively secured and promising. As at the date of this announcement, no formal agreement has been signed.

Business Co-operation

As announced on 28 January 2014, the Group has started to explore co-operation opportunity with 中電華通通信有限公司 (CECT-Chinacomm Communications Co., Limited*, "**CECT-Chinacomm**"), a company incorporated in the PRC with limited liability. CECT-Chinacomm and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons. CECT-Chinacomm has the development right in respect of a parcel of land in the Beijing Economic and Technological Development Area and will construct a project known as Beijing Wireless Broadband Industrial Park (the "**Project**") on the parcel of land. An indirect subsidiary of CECT-Chinacomm is appointed as the operating company of the Project, and has legally obtained the Land Use Right Certificate, the Planning Permit and the Construction Land Use Permit. The co-operation is still in the discussion stage and no formal agreement has been entered into by the parties at the date of this announcement. The Board expects that the Company will be able to join CECT-Chinacomm and its subsidiary to develop the Project for commercial benefits.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the Company increased its total number of issued shares to 5,097,055,634 shares as a result of the issue of 428,285,882 shares and cancellation of 2,832,000 repurchased shares. As at 30 June 2017, the Group had net assets to owners of the parent of approximately HK$1,192.3 million (31 December 2016: HK$925.4 million). Net assets increased mainly due to the allotment of shares. Net current assets of the Group as at 30 June 2017 amounted to approximately HK$358.8 million (31 December 2016: HK$173.4 million).

The Group's unpledged cash and cash equivalents as at 30 June 2017 amounted to approximately HK$111.7 million (31 December 2016: HK$62.5 million), which were denominated in both Hong Kong dollars and Renminbi, and the Group's pledged deposit as at 30 June 2017 amounted to approximately HK$57.6 million (31 December 2016: HK$6.7 million). The increase in cash and cash equivalents was mainly due to the cash received from the convertible bonds issued during the Period.

As at 30 June 2017, the Group had current assets of approximately HK$937.4 million (31 December 2016: approximately HK$528.2 million) and current liabilities of approximately HK$578.7 million (31 December 2016: HK$354.8 million). The current ratio (calculated as current assets to current liabilities) increased from 1.49 as at 31 December 2016 to 1.62 as at 30 June 2017.

As at 30 June 2017, the Group's total borrowings amounted to approximately HK$240.0 million (31 December 2016: HK$83.8 million). The Group's borrowings included bank loans of approximately HK$204.7 million (31 December 2016: HK$44.0 million). The other borrowings of approximately HK$35.3 million (31 December 2016: HK$39.8 million) was charged at fixed interest rates. The gearing ratio of the Group as at 30 June 2017, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 35.46% (31 December 2016: 23.89%).

These ratios were at reasonably adequate levels as at 30 June 2017. Having considered the Group's current cash and cash equivalents, bank and other borrowings and banking facilities, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Period. The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact on the Group's results and net asset value as the Group's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2017, HK$57.6 million was pledged to banks to secure the Group's bills payable (31 December 2016: HK$6.7 million).

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2017, the Group had approximately 164 (30 June 2016: 153) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$22.02 million (30 June 2016: HK$15.39 million). Remuneration of employees is offered at competitive standards and generally structured with reference to market terms and individual qualifications.

The Company has adopted share option schemes aimed to provide incentives and rewards to participants for their contribution to the Group and enable the Group to recruit and retain quality employees to serve the Group on a long-term basis.

LITIGATION

On 18 August 2015, the Company received a writ of summons issued by the Registry of the High Court of Hong Kong (the "**Writ**") relating to the claim by Mr. Qu Shuncai ("**Mr. Qu**"), a former director. Pursuant to the Writ, Mr. Qu, as the plaintiff of the claim, claims against the Company for the sum of HK$6,069,000 being damages for the Company's wrongful refusal of the issue of 2,500,000 shares of the Company to him upon exercise of the share options of the Company by Mr. Qu. The submission of the writ has been completed against the proceedings for the above case, which is entered into the case management stage. The court is scheduled for a hearing for the case management meeting on 20 September 2017. It is expected that the court will provide further instructions on matters such as filing of witness statements and other interlocutory applications (if any) for litigant parties.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, the Company repurchased a total of 8,560,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of approximately HK$3.34 million. None of the repurchased shares were cancelled during the Period. However, the Company cancelled 2,832,000 shares repurchased on 19 December 2016 and 30 December 2016 during the Period, and the number of issued shares of the Company was reduced accordingly. The details of the repurchased shares are as follows:

Month	Total number of shares repurchased	Purchase price per share		Aggregate consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
June 2017	8,560,000	0.395	0.385	3,335,760
Total	8,560,000			3,335,760

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2017.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2017 have been reviewed by the audit committee of the Company, which comprises three independent non-executive directors, namely Dr. Loke Yu, Mr. Li Xiaofeng and Mr. Ho Man Fai.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code on ethics and securities transactions (the "**Code**"), which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Specified employees who are likely to be in possession of unpublished inside information of the Company are also subject to the compliance with the Code. Having made specific enquiry of all directors, the Company confirms that the directors have complied with the required standard set out in the Code and the Model Code throughout the six months ended 30 June 2017.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2017, save as disclosed as follows.

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

EVENTS AFTER THE REPORTING PERIOD

On 17 July 2017, the Company entered into the subscription agreements separately with five subscribers for the subscription of an aggregate of 308,662,450 subscription shares at the subscription price of HK$0.42 per subscription share. The condition precedent to the subscription agreements has been fulfilled and completion of the said subscription took place on 3 August 2017. The net proceeds from the said subscription, after deducting the expenses payable by the Company, is approximately HK$129.5 million.

Details of the said subscription were set out in the announcements of the Company dated 17 July 2017, 21 July 2017 and 3 August 2017 respectively.

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

Hong Kong, 25 August 2017

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Jiang Jiancheng, Mr. Ke Xionghan and Mr. Huangfu Mingsheng; the Non-executive Directors are Ms. Ho Wing Yan and Ms. Zhang Yujie; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Li Xiaofeng and Mr. Ho Man Fai.

* *For identification purposes only*