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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

The board (the "**Board**") of directors (the "**Directors**") of China Beidahuang Industry Group Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 together with the comparative amounts for 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*3*	**1,114,635**	654,843
Cost of sales		**(995,323)**	(587,971)
Gross profit		**119,312**	66,872
Other income, gain or loss	*4*	**199,701**	51,359
Selling and distribution expenses		**(20,301)**	(7,338)
Administrative expenses		**(138,267)**	(100,513)
Profit from operation		**160,445**	10,380
Finance costs	*5*	**(44,706)**	(6,933)
Share of (loss)/profit of associates		**(3,616)**	1,380
Gain/(loss) on disposal of subsidiaries		**11,059**	(1,603)
Profit before tax	*6*	**123,182**	3,224
Taxation	*7*	**(12,904)**	5,353

	Notes	**2017**	2016
		HK$'000	*HK$'000*
PROFIT FOR THE YEAR		**110,278**	8,577
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**(1,408)**	(227)
Exchange differences arising on translation of foreign operations and associates		**32,750**	(93,652)
Total comprehensive income/(loss) for the year		**141,620**	(85,302)
Profit attributable to:			
Owners of the Company		**115,024**	7,217
Non-controlling interests		**(4,746)**	1,360
		110,278	8,577
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**143,955**	(85,326)
Non-controlling interests		**(2,335)**	24
		141,620	(85,302)
EARNINGS PER SHARE	*9*		
– Basic *(in HK cents)*		**2.20**	0.15
– Diluted *(in HK cents)*		**2.20**	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**325,856**	84,801
Investment properties		**412,633**	97,448
Financial assets at fair value through profit or loss		**–**	63,997
Loan receivables	*10*	**71,397**	31,798
Rental deposits paid		**21,287**	20,592
Goodwill		**95,319**	90,098
Other intangible assets		**135,700**	136,863
Interests in associates		**300,734**	322,684
		1,362,926	848,281
CURRENT ASSETS			
Inventories		**17,561**	23,273
Trade receivables	*11*	**78,926**	35,582
Amounts due from contract customers		**78,667**	78,707
Loan receivables	*10*	**291,179**	50,644
Prepayments, deposits and other receivables		**502,519**	266,080
Amounts due from non-controlling shareholders of subsidiaries		**–**	132
Amounts due from related parties		**4,857**	4,497
Financial assets at fair value through profit or loss		**35,756**	–
Pledged deposits		**214,233**	6,700
Cash and cash equivalents		**66,183**	62,539
		1,289,881	528,154
CURRENT LIABILITIES			
Trade and bills payables	*12*	**315,144**	120,016
Other payables and accruals		**138,132**	149,115
Bank and other borrowings		**427,121**	83,837
Amounts due to related parties		**848**	–
Tax payable		**10,490**	1,801
		891,735	354,769

	Notes	2017 HK$'000	2016 HK$'000
NET CURRENT ASSETS		**398,146**	173,385
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,761,072**	1,021,666
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**51,700**	42,109
Convertible bonds		**189,436**	–
Total non-current liabilities		**241,136**	42,109
Net assets		**1,519,936**	979,557
EQUITY			
Equity attributable to owners of the Company			
Share capital		**543,426**	467,160
Reserves		**918,781**	458,265
		1,462,207	925,425
Non-controlling interests		**57,729**	54,132
Total equity		**1,519,936**	979,557

NOTES TO FINANCIAL STATEMENTS

31 December 2017

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments and investment properties are stated at their fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group's liabilities arising from financing activities consist of bank and other borrowing and amounts due to related parties.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

Annual Improvement to HKFRSs 2014-2016 Cycle

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014 – 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

[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] *Effective for annual periods beginning on or after a date to be determined*

[4] *Effective for annual periods beginning on or after 1 January 2021*

Except for the new and amendments to HKFRSs and interpretations mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

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 trading of food products segment is engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food, commodity hog;

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

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

(e) the money lending segment is engaged in the provision of money lending services; and

(f) the mineral products segment is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products.

The 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.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, amounts due to related parties and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Wine and liquor HK$'000	Trading of food products HK$'000	Construction HK$'000	Rental HK$'000	Money lending HK$'000	Mineral products HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2017								
Segment revenue:								
Sales to external customers	33,414	504,802	230,523	162,298	48,931	134,667	–	1,114,635
Other revenue	8,531	735	2,614	47,941	3,007	–	–	62,828
	41,945	505,537	233,137	210,239	51,938	134,667	–	1,177,463
Segment results	11,852	14,064	4,988	87,008	51,938	12,014	–	181,864
Reconciliation:								
Interest income								289
Unallocated other operating income								136,584
Corporate and other unallocated expenses								(161,908)
Finance costs								(44,706)
Gain on disposal of subsidiaries								11,059
Profit before tax								123,182
Taxation								(12,904)
Profit for the Year								110,278
Segment assets	128,114	332,933	114,923	564,731	572,786	189,895	–	1,903,382
Reconciliation:								
Elimination of intersegment receivables								(112,521)
Corporate and other unallocated assets								861,946
Total assets								2,652,807
Segment liabilities	17,855	290,932	91,211	168,116	282,619	76,413	–	927,146
Reconciliation:								
Elimination of intersegment payables								(112,521)
Corporate and other unallocated liabilities								318,246
Total liabilities								1,132,871
Other segment information								
Share of loss of associates	–	–	–	–	–	–	(3,616)	(3,616)
Gain on disposal of subsidiaries	–	–	–	–	–	–	11,059	11,059
Depreciation and amortisation	(629)	(40)	(868)	(18,232)	(8)	(9,042)	(3,183)	(32,002)
Interests in associates	–	–	–	–	–	–	300,734	300,734
Capital expenditure*	–	4,532	–	283,049	1,308	134,866	154,973	578,728
Unrealised fair value loss on financial assets at fair value through profit or loss	–	–	–	–	–	–	(11,791)	(11,791)
Fair value gain on investment properties	–	–	–	43,316	–	–	–	43,316

* *Capital expenditure consists of additions of property, plant and equipment, investment properties and acquisition of subsidiaries.*

	Wine and liquor *HK$'000*	Trading of food products *HK$'000*	Construction *HK$'000*	Rental *HK$'000*	Money lending *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Year ended 31 December 2016							
Segment revenue:							
Sales to external customers	42,658	296,290	231,967	59,125	24,803	–	654,843
Other revenue	999	1,915	–	21,778	333	–	25,025
	43,657	298,205	231,967	80,903	25,136	–	679,868
Segment results	1,698	4,328	5,721	48,531	24,621	–	84,899
Reconciliation:							
Interest income							135
Unallocated other operating income							26,199
Corporate and other unallocated expenses							(99,473)
Finance costs							(6,933)
Loss on disposal of subsidiaries							(1,603)
Profit before tax							3,224
Income tax credit							5,353
Profit for the year							8,577
Segment assets	98,221	47,424	220,165	318,427	107,055	–	791,292
Reconciliation:							
Elimination of intersegment receivables							(16,736)
Corporate and other unallocated assets							601,879
Total assets							1,376,435
Segment liabilities	36,955	7,663	107,846	93,786	28,957	–	275,207
Reconciliation:							
Elimination of intersegment payables							(16,736)
Corporate and other unallocated liabilities							138,407
Total liabilities							396,878
Other segment information							
Share of profit of associates	–	–	–	–	–	1,380	1,380
Loss on disposal of subsidiaries	–	–	–	–	–	(1,603)	(1,603)
Reversal of provision for inventories	–	–	–	–	–	998	998
Depreciation and amortisation	(1,136)	(3)	(1,017)	(7,416)	(1)	(1,622)	(11,195)
Interests in associates	–	–	–	–	–	322,684	322,684
Capital expenditure*	(128)	(3,127)	(59,016)	(71,528)	(13)	(95,418)	(229,230)
Unrealised fair value loss on financial assets at fair value through profit or loss	–	–	–	–	–	(20,978)	(20,978)
Fair value gain on investment properties	–	–	–	15,470	–	–	15,470

* *Capital expenditure consists of additions to property, plant and equipment, investment property and acquisition of subsidiaries.*

Geographical information

Over 90% of the Group's customers are located in Mainland China and revenue of the Group is mainly derived from operations in Mainland China. The management considers that it is impracticable to allocate the assets, revenue and segment results to geographical locations.

Information about a major customer

During the Year, there was one (2016: one) external customer accounted for more than 10% of the Group's total revenue. Revenue from this customer amounted to HK$114,102,000 (2016: HK$106,613,000) which related to construction segment.

4. OTHER INCOME, GAIN OR LOSS

An analysis of other income, gains or losses is as follows:

	2017	2016
	HK$'000	*HK$'000*
Other income, gain or (loss)		
Compensation income	**8,922**	7,029
Exchange (loss)/gain	**(585)**	1,068
Interest income	**289**	135
Lapse of share options	**–**	22,240
Reversal of provision for inventories	**–**	998
Government grant *(note)*	**136,913**	–
Fair value gain on investment properties	**43,316**	15,470
Realised fair value gain on financial assets at fair value through profit or loss	**1,495**	–
Gain on bargain purchase on acquisition of a subsidiary	**4,112**	–
Others	**5,239**	4,419
	199,701	51,359

Note: PRC Government grant mainly represents various form of subsidies granted to the Group by the Lianyungang City Ganyu District People's Government in the PRC. These grants are generally made for business support and awarded to enterprises on a discretionary basis. The Group received these government grants in respect of the Group's commitment towards the development.

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings		
– wholly repayable within five years	**30,291**	6,933
Effective interest expenses on convertible bond	**14,415**	–
	44,706	6,933

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories recognised as an expenses	**644,219**	301,596
Depreciation of property, plant and equipment	**20,945**	9,213
Amortisation of other intangible assets	**11,057**	1,982
Minimum lease payments under operating leases in respect of land and buildings	**103,830**	6,120
Auditor's remuneration		
– Audit services	**1,000**	850
– Non-audit services	**240**	100
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**23,081**	17,817
Share-based payments	**42,567**	27,851
Pension scheme contributions	**1,610**	1,462

	2017	2016
	HK$'000	*HK$'000*
Other expenses/(income):		
Foreign exchange differences, net	**585**	(1,064)
Reversal of provision for inventories	**–**	(998)
Loss on disposal of property, plant and equipment	**304**	65
(Gain)/loss on disposal of subsidiaries	**(11,059)**	1,603
Interest income	**(289)**	(135)
Unrealised fair value loss on financial assets at fair value through profit or loss	**11,791**	20,978
Unrealised fair value gain on investment properties	**(43,316)**	(15,470)
Rental receivable from investment properties less direct outgoings	**(5,077)**	(2,097)

7. TAXATION

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the Company and the subsidiaries is 25%.

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

	2017	2016
	HK$'000	*HK$'000*
Current tax	**8,610**	2,975
Deferred tax	**4,294**	(8,328)
Total tax expenses/(credit) for the year	**12,904**	(5,353)

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

9. EARNINGS PER SHARE

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**115,024**	7,217

	2017	2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,220,129**	4,666,986
Effect of share options	**1,085**	6,665
Weighted average number of ordinary shares for diluted earnings per share	**5,221,214**	4,673,651

For the year ended 31 December 2017, the effect of the Company's convertible bonds was anti-dilutive and therefore did not include in the calculation of the diluted earnings per share.

10. LOAN RECEIVABLES

An aged analysis of the loan receivables as at the end of the reporting period is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**25,958**	–
31 to 60 days	**34,560**	15,275
61 to 90 days	**33,065**	6,328
91 to 180 days	**137,345**	25,693
181 to 365 days	**123,077**	18,761
Over 365 days	**8,571**	16,385
	362,576	82,442
Less: Non-current portion	**(71,397)**	(31,798)
	291,179	50,644

11. TRADE RECEIVABLES

Trade receivables are mainly arisen from sale of goods, receivables for contract works and rental income derived from rental business.

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. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

Receivables for contract works is received based on progress billing to customers.

Rental income is received in accordance with the terms of the relevant lease agreement, normally within 30 days from issuance of invoices.

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**55,639**	28,807
1 to 2 months	**7,227**	85
2 to 3 months	**2,056**	846
Over 3 months	**14,004**	5,844
	78,926	35,582

12. TRADE AND BILLS PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**86,774**	105,952
1 to 2 months	**2,976**	1,117
2 to 3 months	**695**	–
Over 3 months	**1,249**	6,247
	91,694	113,316
Bills payable	**223,450**	6,700
	315,144	120,016

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2016: 30-day terms).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2017 ("**Year**"), the Group's revenue amounted to approximately HK$1,114.64 million (2016: HK$654.84 million), representing an increase of 70.22% over last year. Gross profit of the Group was approximately HK$119.31 million (2016: HK$66.87 million). The profit (net of tax) was approximately HK$110.28 million (2016: HK$8.58 million). Profit attributable to owners of the Company was approximately HK$115.02 million (2016: HK$7.22 million). The significant increase of profit during the Year was mainly attributable to the substantial increase in the profit attributable to owners of the Company by about 1,493.07% and the other income increased by about 288.83% over last year. During the Year, the Group successfully explored into mineral products business which results were proved to be satisfactory and generated extraordinary segment revenue for the Group. The Group also received a non-refundable cash award granted by the Lianyungang City Ganyu District People's Government*（連雲港市贛榆區人民政府）in recognition of the Group's commitment towards the development of the construction projects in Jiangsu Province, the People's Republic of China ("**PRC**"); such award was booked as other income of the Group. Earnings per share for the Year was HK2.20 cents (2016: HK0.15 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 PRC and Hong Kong. Diversifications would be carefully selected among all the choices we explored and would be operated with experienced business partners.

* *For identification purpose only*

Segmental Information

Wine and Liquor Business

The Group's wine and liquor business was principally engaged in the sale and distribution of wine and liquor in the PRC.

The revenue of the wine and liquor business declined by 21.67% to approximately HK$33.41 million (2016: HK$42.66 million) during the Year, accounting for 3.00% (2016: 6.51%) of the total revenue. Gross profit of this business segment was approximately HK$3.32 million (2016: HK$5.66 million), representing a decrease of 41.34% from last year.

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 Directors were of the view that the difficult operating environment of the liquor industry in the PRC was not temporary and would continue at least in the foreseeable future. Taking into account of the negative prospect of the liquor industry in the PRC, the Company entered into a sale and purchase agreement with an independent third party on 4 October 2017 for disposal of Rightsouth Limited, a wholly-owned subsidiary of the Company, and it was completed on 27 October 2017. After the disposal, the Group still maintains a trademark and some trading business on wine and liquor. However, the performance of this segment is expected to decline gradually in the future.

Trading of Food Products Business

Trading of food products business recorded a revenue of approximately HK$504.80 million (2016: HK$296.29 million), accounting for 45.29% of the total revenue. Gross profit of this business segment for the Year was approximately HK$13.33 million (2016: HK$3.22 million).

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK$162.30 million (2016: HK$59.13 million), accounting for 14.56% of the total revenue. Gross profit of this business segment for the Year was approximately HK$39.35 million (2016: HK$27.46 million). The Group started the operation of this business in 2015 and the business is still developing. The operation has become more mature during the Year. More logistic and office facilities can be rented out and the occupancy rate is high so that the revenue increased significantly.

Money Lending Business

The money lending business recorded a revenue of HK$48.93 million (2016: HK$24.80 million), accounting for 4.39% of the total revenue. The increase was because more funds were allocated to this business. Gross profit of this business segment for the Year was approximately HK$48.93 million (2016: HK$24.80 million).

Construction Business

Through participating in the public-private partnership ("**PPP**") projects, the Group derived a revenue of approximately HK$230.52 million (2016: HK$231.97 million) and accounted for 20.68% (2016: 35.42%) 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 Year. Gross profit of this business segment for the Year was approximately HK$2.37 million (2016: HK$5.74 million).

Mineral Products Business

The mineral products business includes the flotation selection of non-ferrous metals mines and sales of mineral products. This business segment recorded a revenue of approximately HK$134.67 million (2016: Nil) and accounted for 12.08% (2016: Nil) of the total revenue. The Group acquired this business during the Year and is expected to spend more resources to develop this segment. Gross profit of this business segment for the Year was approximately HK$12.01 million (2016: Nil).

Acquisitions and Disposal of Subsidiaries

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 were settled by cash within one month upon signing of the said equity transfer agreement and RMB30 million were 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.

* *For identification purpose only*

Disposal of Subsidiaries

(i) On 30 May 2017, the Group disposed the entire issued capital of Hunan Meiming Wenshi Jiuguijiu Sales Limited to an independent third party for a consideration of RMB10 million. The Group realized a gain of approximately HK$9.68 million as a result of the disposal.

(ii) On 4 October 2017, the Company entered into a sale and purchase agreement pursuant to which the Company conditionally agreed to sell the entire issued capital of Rightsouth Limited, a wholly-owned subsidiary of the Company, to an independent third party at a cash consideration of RMB3.8 million. The only investments of the Rightsouth Limited are the holding of (i) the Economic Benefits and Control Rights through a Control Deed, and (ii) the Option in respect of the 70% equity interests in the JV Co., details of which were disclosed in the announcements of the Company dated 1 December 2009 and 13 January 2010 and the circular of the Company dated 24 December 2009.

 The conditions precedent to the above sale and purchase agreement were fulfilled and the completion of the agreement took place on 27 October 2017. The Group realized a gain of approximately HK$1.38 million as a result of the disposal.

 Details of the above transaction were disclosed in the announcements of the Company dated 4 October 2017 and 27 October 2017.

Business Prospects

The Group will continue to explore new markets and step up promotion and marketing efforts to expand its existing businesses. 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 agreement with the PRC government to develop the logistic industrial park could not be reached ultimately and the project was stopped during the second half of the Year.

(ii) On 30 December 2015, the Company and 中發軍融科技股份公司 (Zhongfa Junrong Technology Joint Stock Company*) ("**Zhongfa Junrong**") entered into a strategic co-operation framework agreement, pursuant to which the parties would co-operate and explore the possibility of developing production industrial parks and logistic industrial parks in the PRC by way of joint venture arrangements. However, Zhongfa Junrong had not been able to procure the land from the government to develop the parks. The co-operation was terminated during the second half of the Year.

(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 would 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. However, the Company could not conclude the terms with the parties and the co-operation was terminated during the second half of the Year.

* *For identification purpose only*

Business Co-operation

(i) 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.

(ii) On 28 September 2017, the Company entered into an agreement with Jiangsu Province Ganyu Marine Economic Development Zone Management Committee and Lianyungang City Ganyu District Qingkou Town People's Government (collectively, "**Party A**") wherein the Company will invest and participate in the construction of the China Ganyu Marine Science and Technology City Project (the "**Project**") initiated by the Lianyungang City Ganyu District People's Government. Through facilities, platform construction, business integration, scientific research, entertainment, ecological and other urban elements, the Project will extend the ocean industrial chain and build the China Ganyu Marine Science and Technology City as a modern marine industry complex with major focus on cold chain logistics, fresh seafood transactions and catering services, supplemented by facilities such as technology research and development, E-commerce and tourism. The Project will include six subprojects, namely, (i) cold chain logistics base; (ii) seafood transactions market; (iii) E-commerce business platform; (iv) seafood products display transactions centre; (v) marine science and technology art gallery and (vi) seafood food city. The Company will participate in the investment, construction and operation of three out of the six subprojects, namely, (i) seafood food city; (ii) cold chain logistics base and (iii) seafood transactions market.

* *For identification purpose only*

The Company also entered into an agreement with Party A in relation to the sub-project "**Seafood Food City**" (the "**Food City Agreement**") on 28 September 2017. The Company will invest RMB300 million for the construction of the Seafood Food City and ancillary landscape facilities.

On 5 December 2017, Lianyungang Huajin Huahong Shiye Company Limited*（連雲港華金華鴻實業有限公司）("**Company A**"), a direct wholly-owned subsidiary of the Company, made a successful bid for the land use rights of a land parcel with code no. 2017G23 (the "**Land Parcel**") located at the east side of the 242 Provincial Highway, the north side of the Shawang River in the China Ganyu Marine and Technology City, Jiangsu Province, the PRC through listing for sale process (the "**Acquisition**") in the public auction ("**Auction**") held by Bureau of Land and Resources of Lianyungang City Ganyu District*（連雲港市贛榆區國土資源局）("**Vendor**") for transfer of state-owned land use rights ("**Land Use Rights**") at a consideration of RMB143.6 million. The consideration of the Acquisition was determined based on the Auction documents issued by the Vendor.

The Land Parcel has a total site area of approximately 62,820 square meters and permitted plot ratio of not more than 1.0. The Land Parcel is designated for the commercial use with the term of 40 years.

Following the successful bid at the Auction and the subsequent issue of the confirmation notice by the Vendor to Company A in respect of the Land Parcel on 5 December 2017, Company A and the Vendor have entered into Land Use Rights Grant Contract after the trading hours on 27 December 2017.

The construction of the Seafood Food City on the Land Parcel will be completed on or before 19 March 2021.

The signing of the above agreements facilitates the Group's further business diversification and expansion and also widens its business prospects in the PRC, details of which were disclosed in the announcements of the Company dated 28 September 2017 and 27 December 2017.

* *For identification purpose only*

Financial Review

Revenue

The Group achieved a revenue of approximately HK$1,114.64 million (2016: HK$654.84 million), representing an increase of 70.21% over last year. Gross profit of the Group was approximately HK$119.31 million (2016: HK$66.87 million). The profit (net of tax) was HK$110.28 million (2016: HK$8.58 million).

Other Income

Other income mainly comprises the non-refundable cash award granted by the Lianyungang City Ganyu District People's Government*（連雲港市贛榆區人民政府）in recognition of the Group's commitment towards the development of the construction projects in Jiangsu Province, the cash award amounted to HK$136.91 million. Besides, it also included the income of HK8.19 million arising from the forfeit of the rental agreement.

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK$20.30 million (2016: HK$7.34 million), representing an increase of 176.66% from last year and 1.82% (2016: 1.12%) of the Group's revenue. Increase in the expenses was mainly due to the expansion in the Group's business during the Year.

Administrative Expenses

Administrative expenses were approximately HK$138.27 million (2016: HK$100.51 million), representing an increase of 37.56% over last year. It included the equity-settled share option expenses for share options granted in 2015 and 2016, which amounted to HK$42.57 million (2016: HK$27.85 million).

* *For identification purpose only*

Finance Costs

Finance costs were approximately HK$44.71 million (2016: HK$6.93 million), representing an increase of 545.17% over last year. The increase in finance costs were due to the issuance of the HK$200 million 10% coupon convertible bonds, the issuance of HK$150 million senior corporate securities bond and additional drawn down of bank loans during the Year to the Company's subsidiaries.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were HK$219.29 million (2016: HK$60.33 million) trade deposits paid for food products and mineral products. Approximately HK$67.74 million (2016: HK$17.54 million) were the progress payments for the investment targets. HK$33.10 million (2016: HK$6.97 million) was paid as rental deposit of the rental business and HK$11.51 million (2016: HK$6.96 million) was paid as deposit for the new warehouse construction. Retention money of approximately HK$9.79 million (2016: HK$10.41 million) for contract work was paid.

Capital Structure, Liquidity and Financial Resources

During the Year, the Company issued a total of 774,048,332 new shares due to issue of subscription shares and consideration shares, and because of the exercise of share options by Directors, employees and consultants of the Group. In addition, the Company repurchased a total of 25,560,000 shares of the Company and 11,392,000 shares (including a total of 2,832,000 shares repurchased by the Company during the year ended 31 December 2016) were cancelled during the Year. As a result, the total number of issued shares of the Company increased by 762,656,332 shares to 5,434,258,084 shares as at 31 December 2017.

As at 31 December 2017, the Group had net assets to owners of the parent of approximately HK$1,462.21 million (2016: HK$925.43 million). The increase of the net assets was due to the acquisition of the parcel of land in Lianyungang City and the revaluation of properties of the Group. Net current assets of the Group as at 31 December 2017 amounted to approximately HK$398.15 million (2016: HK$173.39 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.45 (2016: 1.49).

The Group's unpledged cash and cash equivalents as at 31 December 2017 amounted to approximately HK$66.18 million (2016: HK$62.54 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposit as at 31 December 2017 amounted to approximately HK$214.23 million (31 December 2016: HK$6.70 million).

As at 31 December 2017, the Group's total borrowings amounted to approximately HK$616.56 million (2016: HK$83.84 million). All of the Group's borrowings were denominated in Renminbi with the rest in Hong Kong dollars. The bank loans, other borrowings and amounts due to related parties are charged at fixed interest rates. The gearing ratio of the Group as at 31 December 2017 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 40.72% (2016: 23.89%).

These ratios were at reasonably adequate levels as at 31 December 2017. Having considered the Group's current unpledged 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 Year. The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net assets 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 31 December 2017, HK$214.23 million was pledged to banks to secure the Group's bills payable (2016: HK$6.70 million).

Other Information

Subscription of New Shares Under General Mandate

(i) On 1 November 2016, the Company entered into the respective subscription agreements with each of the eight independent subscribers pursuant to which the subscribers agreed to conditionally subscribe for an aggregate of 351,599,550 new shares at the subscription price of HK$0.48 per share in the Company ("**2016 Subscription**"). The closing market price was HK$0.45 per share at the date of the subscription agreements.

The Board considered that the 2016 Subscription represented an opportunity to raise additional funding for the Group's business operation and to strengthen the capital base and financial position for the Group's future business developments and broaden the shareholder base of the Company. Furthermore, the Board considered that the 2016 Subscription was a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

The 2016 Subscription was completed on 12 January 2017 and the Company issued 351,599,550 subscription shares to the subscribers.

The aggregate proceeds from the 2016 Subscription amounted to approximately HK$168.77 million and the net proceeds and the net price per share was approximately HK$168.70 million and HK$0.4798 respectively, after deducting all the professional fees incurred in the 2016 Subscription. The Company had fully utilised the net proceeds to satisfy the consideration in respect of the acquisition of the 100% equity interest in 深圳明建金業有限公司 (Shenzhen Ming Jian Gold Industry Limited*).

Details of the 2016 Subscription were set out in the announcements of the Company dated 1 November 2016, 30 November 2016, 30 December 2016 and 12 January 2017 respectively.

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(ii) On 17 July 2017, the Company entered into the subscription agreements separately with each of Mr. Li Zhixiong, Mr. Li Xuehui, Mr. Li Ziren, Mr. Li Liyong and Mr. Luo Honghui for the subscription of an aggregate of 308,662,450 subscription shares at the subscription price of HK$0.42 per subscription share ("**2017 Subscription**"). The closing market price was HK$0.355 per share at the date of the subscription agreements.

The Directors considered that the 2017 Subscription represented an opportunity to raise additional funding for the Group's business operation, investment, acquisitions and settlement of debts. It would also strengthen the capital base and financial position for the Group's future business developments and broaden the shareholder base of the Company. Furthermore, the Directors considered that the 2017 Subscription was a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

The condition precedent to the subscription agreements was fulfilled and completion of the 2017 Subscription took place on 3 August 2017. The Company issued 308,662,450 subscription shares to the subscribers.

The net proceeds from the 2017 Subscription, after deducting the expenses payable by the Company, was approximately HK$129.50 million, of which (i) approximately HK$100.00 million was used for the business development relating to building of warehouse facilities in the PRC; and (ii) approximately HK$29.50 million was used for the Group's general working capital and payment of bond interest. The net price per subscription share was approximately HK$0.4196.

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

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 was 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 were 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 500,000,000 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 amounted to 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 utilized approximately 15% of the net proceeds for the expansion of logistic warehouse in Hong Kong, approximately 60% was used for the acquisition of the Land Use Rights in Jiangsu Province in the PRC, approximately 18% was used for the expansion of rental business in Beijing and approximately 7% was used for the general working capital and payment of bank loan interest.

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 respectively.

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, and has entered into the case management stage. The court has scheduled for a hearing for the case management meeting on 26 April 2018. 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.

Employees and Remuneration Policy

As at 31 December 2017, the Group had approximately 165 (2016: 148) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK$35.24 million (2016: HK$30.61 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited financial statements for the year ended 31 December 2017:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, the Company repurchased a total of 25,560,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of approximately HK$8,661,000, and 11,392,000 shares (including a total of 2,832,000 shares repurchased by the Company during the year ended 31 December 2016) were cancelled during the Year 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 Highest**	**Lowest**	**Aggregate consideration**
		HK$	*HK$*	*HK$*
June 2017	8,560,000	0.395	0.385	3,335,760
December 2017	17,000,000	0.335	0.305	5,325,240
Total	25,560,000			8,661,000

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the listed securities of the Company during the Year.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

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 Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2017, save as disclosed as follows.

In respect of code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Year, certain regular Board meetings were convened with less than 14 days' notice to enable the Directors to react timely and make expeditious decision making in respect of transactions which were of significance to the Group's business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by the Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

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 the 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.

In respect of code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. The Company did not receive the training record from Ms. Zhang Yujie, a non-executive Director.

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

Hong Kong, 23 March 2018

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Ke Xionghan, Mr. Zeng Fanxiong and Mr. Huang Wuguang; 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.