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 2018

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 2018 together with the comparative amounts for 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	**2018** HK$'000	2017 HK$'000
Revenue	4	**1,267,140**	1,114,635
Cost of sales		**(1,097,213)**	(995,323)
Gross profit		**169,927**	119,312
Other income, gains or losses	5	**28,343**	199,701
Selling and distribution expenses		**(21,212)**	(20,301)
Administrative expenses		**(120,301)**	(138,267)
Profit from operation		**56,757**	160,445
Finance costs	6	**(51,592)**	(44,706)
Share of loss of associates		**(2,084)**	(3,616)
Gain on disposal of subsidiaries		**9,547**	11,059
Profit before taxation	7	**12,628**	123,182
Taxation	8	**(851)**	(12,904)

	Notes	**2018**	2017
		HK$'000	*HK$'000*
PROFIT FOR THE YEAR		**11,777**	110,278
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**(6,611)**	(1,408)
Exchange differences arising on translation of foreign operations and associates		**(49,560)**	32,750
Total comprehensive (loss)/income for the year		**(44,394)**	141,620
Profit attributable to:			
Owners of the Company		**4,650**	115,024
Non-controlling interests		**7,127**	(4,746)
		11,777	110,278
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(51,457)**	143,955
Non-controlling interests		**7,063**	(2,335)
		(44,394)	141,620
EARNINGS PER SHARE	*10*		
– Basic *(in HK cents)*		**0.08**	2.20
– Diluted *(in HK cents)*		**0.08**	2.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**321,173**	325,856
Investment properties		**398,065**	412,633
Loan receivables	*11*	**–**	71,397
Rental deposits paid		**30,413**	21,287
Goodwill		**47,266**	95,319
Other intangible assets		**123,495**	135,700
Interests in associates		**286,450**	300,734
		1,206,862	1,362,926
CURRENT ASSETS			
Inventories		**57,169**	17,561
Trade receivables	*12*	**130,862**	78,926
Amounts due from contract customers		**–**	78,667
Loan receivables	*11*	**376,429**	291,179
Prepayments, deposits and other receivables		**628,431**	502,519
Amounts due from related parties		**–**	4,857
Financial assets at fair value through profit or loss		**27,355**	35,756
Pledged deposits		**83,584**	214,233
Cash and cash equivalents		**37,277**	66,183
		1,341,107	1,289,881
CURRENT LIABILITIES			
Trade and bills payables	*13*	**244,915**	315,144
Other payables and accruals		**142,628**	138,132
Contract liabilities		**51,471**	–
Bank and other borrowings		**333,424**	427,121
Convertible bonds		**195,378**	–
Amounts due to related parties		**12,655**	848
Bank overdraft		**5,032**	–
Tax payable		**3,032**	10,490
		988,535	891,735

	Notes	2018 *HK$'000*	2017 *HK$'000*
NET CURRENT ASSETS		**352,572**	398,146
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,559,434**	1,761,072
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**47,445**	51,700
Convertible bonds		**–**	189,436
Total non-current liabilities		**47,445**	241,136
Net assets		**1,511,989**	1,519,936
EQUITY			
Equity attributable to owners of the Company			
Share capital		**561,726**	543,426
Reserves		**897,283**	918,781
		1,459,009	1,462,207
Non-controlling interests		**52,980**	57,729
Total equity		**1,511,989**	1,519,936

NOTES TO FINANCIAL STATEMENTS

31 December 2018

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 consolidated 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

New and Amendments to HKFRSs that are mandatory effective for the current year

The Company and its subsidiaries (collectively referred to as the "**Group**") has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**31 December 2017**	**HKFRS 9**	**HKFRS 15**	**1 January 2018**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Non-current assets				
Loan receivables	71,397	(455)	–	70,942
Current assets				
Contract assets	–	78,667	–	78,667
Amounts due from customers for contract work	78,667	(78,667)	–	–
Trade receivables	78,926	(3,297)	–	75,629
Prepayments, deposits and other receivables	502,519	(3,756)	–	498,763
Loan receivables	291,179	(1,742)	–	289,437
Current liabilities				
Other payables and accruals	(138,132)	–	24,034	(114,098)
Contract liabilities	–	–	(24,034)	(24,034)
Net current assets	398,146	(8,795)	–	389,351
Non-current liabilities				
Deferred tax liabilities	(51,700)	1,579	–	(50,121)
Net assets	1,519,936	(7,671)	–	1,512,265
Capital and reserves				
Reserves	918,781	(7,478)	–	911,303
Non-controlling interests	57,729	(193)	–	57,536
Total equity	1,519,936	(7,671)	–	1,512,265

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS 9 Prepayment Features with Negative Compensation and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, and 2) expected credit losses ("**ECL**") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

Accounting policies resulting from application of HKFRS 9 are disclosed in note to consolidated financial statement.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost except derivative financial instruments which are continued to be recognised at fair value under HKFRS 9 as financial assets at fair value through profit or loss.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follows:

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including prepayments, deposits and other receivables, amount due from related parties, pledged deposits, and cash and cash equivalents, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

Other financial assets measured at amortised cost

ECL for other financial asset, at amortised cost, including loan receivables, deposit and other receivables, amount due from related parties, pledged deposits and cash and cash equivalents are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The following tables summarized the impact, net of tax, of transition HKFRS 9 on the opening balance of retained profits as 1 January 2018 as follow:

	Accumulated losses	**Non-controlling interests**
	HK$'000	*HK$'000*
As at 31 December 2017	651,380	(57,729)
Increase in ECLs in		
– Trade receivables	3,251	46
– Other receivables	3,609	147
– Loan receivables	2,197	–
– Deferred tax	(1,579)	–
As at 1 January 2018 (restated)	658,858	(57,536)

All loss allowances, including trade receivables, other receivables and loan receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Trade receivables *HK$'000*	Other receivables *HK$'000*	Loan receivables *HK$'000*	Total *HK$'000*
At 31 December 2017 – HKAS 39	–	–	–	–
Amounts re-measured through opening – accumulated losses	3,297	3,756	2,197	9,250
At 1 January 2018 – HKFRS 9	3,297	3,756	2,197	9,250

HKFRS 15 Revenue from Contracts with Customers and the related amendments

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue mainly from following major sources which arise from contracts with customers.

- Wine and liquor
- Trading of food products
- Construction and development
- Mineral products

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note to the audited consolidated financial statement.

Except for the reclassification of the contract liabilities from receipt in advance of HK$24,034,000 and the contract assets from amount due from customers for contract work of HK$78,667,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. There is no impact of transition to HKFRS 15 on retained earnings at 1 January 2018.

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 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 10 and HKAS 28	Sale and Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

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

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2020

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 and development segment is engaged in construction and land development;

(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 and development HK$'000	Rental HK$'000	Money lending HK$'000	Mineral products HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2018								
Segment revenue:								
Sales to external customers	8,326	772,713	–	249,967	36,561	199,573	–	1,267,140
Revenue from contracts with customers								
Timing of revenue recognition								
At a point in time	8,326	772,713	–	–	–	199,573	–	980,612
Revenue from other sources	–	–	–	249,967	36,561	–	–	286,528
Other revenue	1,204	458	–	20,876	106	778	–	23,422
	9,530	773,171	–	270,843	36,667	200,351	–	1,290,562
Segment results	1,766	22,187	–	108,003	36,667	24,726	–	193,349
Reconciliation:								
Interest income								321
Unallocated other operating income								4,600
Corporate and other unallocated expenses								(143,597)
Finance costs								(51,592)
Gain on disposal of subsidiaries								9,547
Profit before tax								12,628
Taxation								(851)
Profit for the Year								11,777
Segment assets	85,059	368,531	196,578	462,410	399,971	196,624	–	1,709,173
Reconciliation:								
Elimination of intersegment receivables								(116,257)
Corporate and other unallocated assets								955,053
Total assets								2,547,969
Segment liabilities	33,073	251,095	24,241	121,214	138,070	33,706	–	601,399
Reconciliation:								
Elimination of intersegment payables								(116,257)
Corporate and other unallocated liabilities								550,838
Total liabilities								1,035,980
Other segment information								
Share of loss of associates	–	–	–	–	–	–	(2,084)	(2,084)
Gain on disposal of subsidiaries	–	–	–	–	–	–	9,547	9,547
Reversal of allowance for expected credit losses recognised on trade receivables	(4)	(3)	–	(39)	–	824	–	778
Allowance for expected credit losses recognised on other receivables	(209)	143	–	(36)	879	–	(3,561)	(2,784)
Allowance for expected credit losses recognised on loan receivables	–	–	–	–	(2,418)	–	–	(2,418)
Depreciation and amortisation	(166)	(260)	(192)	(23,967)	(386)	(2,955)	(1,014)	(28,940)
Interests in associates	–	–	–	–	–	–	286,450	286,450
Capital expenditure*	–	103	32,833	1,881	–	582	348	35,747
Unrealised fair value loss on financial assets at fair value through profit or loss	–	–	–	–	–	–	(8,401)	(8,401)
Fair value gain on investment properties	–	–	–	7,088	–	–	–	7,088

* *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$'000	Mineral products HK$'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 to property, plant and equipment, investment properties 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, no external customer accounted for more than 10% of the Group's total revenue (2017: one). In 2017, revenue from this customer amounted to HK$114,102,000 which related to construction segment.

4. REVENUE

The Group's revenue represents by wine and liquor, trading of food products, construction and development, rental, money lending and mineral products.

Disaggregation of revenue from contracts with customers

An analysis of revenue by types of goods and services as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue from contracts with Customers		
Wine and liquor	**8,326**	33,414
Trading of food products	**772,713**	504,802
Mineral products	**199,573**	134,667
Construction and development	**–**	230,523
Total revenue recognised at point in time	**980,612**	903,406
Revenue from other sources		
Rental	**249,967**	162,298
Money lending	**36,561**	48,931
	1,267,140	1,114,635

	2018	2017
	HK$'000	*HK$'000*
Time of revenue recognition		
At a point of time	**980,612**	672,883
Over time	**–**	230,523
	980,612	903,406
Geographic market:		
The PRC	**1,196,778**	1,056,808
Hong Kong	**70,362**	57,827
	1,267,140	1,114,635

5. OTHER INCOME, GAINS OR LOSSES

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

	2018	2017
	HK$'000	*HK$'000*
Other income, gains or (losses)		
Compensation income	**15,109**	8,922
Exchange loss	**–**	(585)
Interest income	**321**	289
Government grant *(note)*	**35**	136,913
Fair value gain on investment properties	**7,088**	43,316
Realised fair value gain on financial assets at fair value through profit or loss	**–**	1,495
Reversal of allowance for expected credit losses recognised on trade receivables	**778**	–
Allowance for expected credit losses recognised on loan receivables	**(2,418)**	–
Allowance for expected credit losses recognised on other receivables	**(2,784)**	–
Gain on bargain purchase on acquisition of a subsidiary	**–**	4,112
Others	**10,214**	5,239
	28,343	199,701

Note: PRC Government grant in 2017 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.

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings		
– wholly repayable within five years	**25,574**	30,291
Effective interest expenses on convertible bond	**26,018**	14,415
	51,592	44,706

7. PROFIT BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories recognised as an expenses	**980,157**	644,219
Depreciation of property, plant and equipment	**18,070**	20,945
Amortisation of other intangible assets	**10,870**	11,057
Minimum lease payments under operating leases in respect of land and buildings	**167,053**	103,830
Auditors' remuneration		
– Audit services	**1,250**	1,000
– Non-audit services	**250**	240
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**20,728**	23,081
Share-based payments	**1,063**	42,567
Pension scheme contributions	**1,064**	1,610

Other expenses/(income):		
Foreign exchange differences, net	**–**	585
Loss on disposal of property, plant and equipment	**–**	304
Gain on disposal of subsidiaries	**(9,547)**	(11,059)
Interest income	**(321)**	(289)
Unrealised fair value loss on financial assets at fair value through profit or loss	**8,401**	11,791
Unrealised fair value gain on investment properties	**(7,088)**	(43,316)

8. TAXATION

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the Company and the subsidiaries is 25% (2017: 25%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000.000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 31 December 2017.

	2018	2017
	HK$'000	*HK$'000*
Current tax	**2,938**	8,610
Deferred tax	**(2,087)**	4,294
Total tax expenses for the year	**851**	12,904

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based in the following data:

Earnings	**2018**	2017
	HK$'000	*HK$'000*
Earnings for the purpose of basic and diluted earnings per share	**4,650**	115,024

Number of Shares	**2018**	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,483,053**	5,220,129
Effect of share options	**–**	1,085
Weighted average number of ordinary shares for diluted earnings per share	**5,483,053**	5,221,214

For the year ended 31 December 2018, 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.

11. LOAN RECEIVABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**10,221**	25,958
31 to 60 days	**17,142**	34,560
61 to 90 days	**3,980**	33,065
91 to 180 days	**157,833**	137,345
181 to 365 days	**115,494**	123,077
Over 365 days	**76,279**	8,571
	380,949	362,576
Less: Non-current portion	**–**	(71,397)
	380,949	291,179
Less: Allowance for expected credit losses	**(4,520)**	–
	376,429	291,179

12. TRADE RECEIVABLES

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

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

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**28,622**	55,639
1 to 2 months	**65,795**	7,227
2 to 3 months	**25,787**	2,056
Over 3 months	**13,256**	14,004
	133,460	78,926
Less: Allowance for expected credit losses	**(2,598)**	–
	130,862	78,926

The trade receivables consist of rental receivables. The aging analysis of the Group's rental receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
Up to 30 days	**3,572**	5,961

13. 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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**39,385**	86,774
1 to 2 months	**29,780**	2,976
2 to 3 months	**9,134**	695
Over 3 months	**395**	1,249
	78,694	91,694
Bills payable	**166,221**	223,450
	244,915	315,144

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2017: 30-day terms).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2018 ("**Year**"), the Group's revenue amounted to approximately HK$1,267.14 million (2017: HK$1,114.64 million), representing an increase of 13.68% over last year. Gross profit of the Group was approximately HK$169.93 million (2017: HK$119.31 million). The profit (net of tax) was approximately HK$11.78 million (2017: HK$110.28 million). The increase in gross profit of HK$50.62 million has been set-off by the significant decrease in other income of HK$171.36 million which led to the large decrease in profit for the Year. In 2017, the Group was granted the cash award of HK$136.91 million from 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 and the award was booked as other income of the Group for the year ended 31 December 2017. Such cash award however has not recurred for the year ended 31 December 2018 and became the main factor attributable to the significant decrease of profit for the Year. Earnings per share for the Year was HK0.08 cents (2017: HK2.20 cents).

The Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group's business 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.

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.

* *For identification purpose only*

During the Year, the wine and liquor business recorded a revenue of approximately HK$8.33 million (2017: HK$33.41 million), down 75.07% when compared with the last year and accounted for 0.66% (2017: 3.0%) of the total revenue. The sales decreased because the Group focused less on this business segment. The Group will keep to explore new customers but expects the sales will contribute a small portion to the Group's revenue in the future.

Trading of Food Products Business

Trading of food products business recorded a revenue of approximately HK$772.71 million (2017: HK$504.80 million), accounted for 60.98% (2017: 45.29%) of the total revenue. Gross profit of this business segment for the Year was approximately HK$21.73 million (2017: HK$13.33 million).

Through acquisition, the Group entered into the trading of commodity hog business since late 2017. The business contributed a stable revenue source to the Group. The increase in revenue in this segment was mainly attributable to the satisfactory trading of commodity hog.

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK$249.97 million (2017: HK$162.30 million), accounted for 19.73% of the total revenue. Gross profit of this business segment for the Year was approximately HK$87.13 million (2017: HK$39.35 million). After few years of development, this segment becomes one of the core businesses of the Group. The Group invested more funds in renting facilities which led to the large increase in revenue in this segment. The Group will keep on exploring and investing in potential renting facilities.

Money Lending Business

The money lending business recorded a revenue of HK$36.56 million (2017: HK$48.93 million), accounted for 2.89% (2017: 4.39%) of the total revenue. As most of the funds were used for other investments, less funds were available for money lending and the revenue of this segment decreased. Gross profit of this business segment for the Year was approximately HK$36.56 million (2017: HK$48.93 million).

Construction and Development Business

After the completion of the disposal of 福建方潤建設集團有限公司 (Fujian Fangrun Construction Group Company Limited*, "**Fujian Fangrun**") on 4 May 2018, there was no revenue from this segment (2017: HK$230.52 million) and accounted for 0% (2017: 20.68%) 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. Although the business declined, the Group would continue to search for suitable PPP projects in the coming years. Besides construction, the Group started to acquire land for development. The Group is developing a land in Lianyuangang, the PRC, and the development is expected to be completed in 2019.

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$199.57 million (2017: HK$134.67 million) and accounted for 15.75% (2017: 12.08%) of the total revenue. The Group acquired this business since 2017 and is expected to spend more resources to develop this segment. The Group expects the market of this business will remain fine and the revenue contributed by this segment will represent a larger portion of the Group's revenue. Gross profit of this business segment for the Year was approximately HK$23.95 million (2017: HK$12.01 million).

Disposal of Subsidiary

On 27 April 2018, 深圳市鵬達融通商貿有限公司 (Shenzhen Pengda Rongtong Trading Limited*, "**Shenzhen Pengda**"), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement pursuant to which Shenzhen Pengda agreed to sell, and 深圳市臻銘裝修裝飾工程有限公司 (Shenzhen Zhenming Decoration Engineering Co., Ltd*) agreed to acquire 51% of the equity interest in Fujian Fangrun, at a consideration of RMB50 million ("**Disposal**"). The conditions precedent to the above agreement were fulfilled and the completion of the agreement took place on 4 May 2018. Upon completion of the Disposal on 4 May 2018, Shenzhen Pengda ceased to have any equity interest in Fujian Fangrun. The Group realized a gain of approximately HK$9.5 million as a result of the Disposal. Details of the above transaction were disclosed in the announcements of the Company dated 27 April 2018 and 4 May 2018.

* *For identification purpose only*

Business Prospects

The Group will continue to expand its existing businesses by developing its core business segments. The Group will also look for other potential businesses and related profitable businesses for acquisition.

Memorandum of Understanding

(i) On 27 April 2018, the Company entered into a non-legally binding memorandum of understanding (the "**MOU**") with a third party (the "**Vendor**") in relation to the possible acquisition ("**Possible Acquisition**") to acquire 70% of the equity interests respectively in two companies (the "**Target Companies**") established in the PRC. The Target Companies are each owned by the Vendor as to 95% and a PRC citizen as to 5%. The Target Companies own the land use rights in respect of a piece of land of 471 mu at 1112 Jiaotong Avenue, Zengdu Economic Development Zone, Suizhou City, Hubei Province, the PRC（中國湖北省隨州市曾都經濟開發區交通大道1112號）, with total planned building area of 300,000 sq. m. (the "**Land**"), of which 210,000 sq. m. have been utilized for building land properties ("**Land Properties**"). The land use rights in respect of the Land and the Land Properties have been pledged by the Target Companies to secure loans borrowed by the Target Companies and the Vendor, and are presently seized by the lenders of the loans. Pursuant to the MOU, the Vendor and the Company would negotiate in good faith the terms of the formal agreement for the Possible Acquisition within 6 month(s) after the date of the MOU ("**Relevant Period**"). The Company would conduct and the Vendor would provide assistance to the Company to conduct due diligence exercise on the Target Companies and their business and affairs. The Vendor undertook that during the Relevant Period, it would not (i) solicit, initiate, encourage or accept inquiries or offers from, or (ii) initiate or continue negotiations or discussions with or furnish any information to, or (iii) enter into any agreement or statement of intent or understanding with any person or entity other than the Company with respect to the sale or other disposition of the equity interests or any business of the Target Companies directly or indirectly. The Relevant Period expired on 26 October 2018 and after that date and up to the date of this announcement, the parties have not yet reached any final terms on the Possible Acquisition. Going forward, the Company will try to negotiate and finalize concrete terms with the Vendor on the Possible Acquisition. The Company will keep its shareholders and potential investors informed of the progress and results of the negotiation as and when appropriate.

(ii) On 8 June 2018, the Company entered into a non-legally binding memorandum of understanding ("**MOU**") with Phoenix (Dongguan) Animals Nutrition Limited*（菲尼氏（東莞）動物營養有限公司）("**Target Company**") and all of its shareholders ("**Existing Shareholders**"). Pursuant to the MOU, the Company intended to subscribe for the equity interest in the Target Company by way of capital injection into the Target Company ("**Transaction**"). The Transaction is subject to the formal agreement ("**Capital Increase and Subscription Agreement**") between the Company, the Target Company and the Existing Shareholders. If the Capital Increase and Subscription Agreement proceeded and could be completed according to the terms therein, the Company would hold 51% of the enlarged registered capital of the Target Company. The Existing Shareholders would not participate in this capital increase in the Target Company.

As the due diligence exercise has not been progressed as expected, the Company, the Target Company and the Existing Shareholders have agreed not to pursue the transactions contemplated under the MOU and to terminate the MOU immediately by way of a termination agreement on 7 December 2018. Pursuant to the termination agreement, the Company, the Target Company and the Existing Shareholders shall release the other from all obligations and duties under the MOU and any other related agreements (if any) whatsoever.

(iii) On 22 March 2019, the Company entered into the strategic cooperation framework agreement (the "**Framework Agreement**") with Leizhou Municipal People's Government*（雷州市人民政府）("**Leizhou MPG**", together with the Company, the "**Parties**") in respect of, among other things, business cooperation between the Parties in the field of, among others, agricultural development. The scope of cooperation shall include agricultural product warehousing and logistics, cold chain logistics, and agricultural product processing. Leizhou MPG is the PRC government entity responsible for the affairs of Leizhou City, Guangdong Province, the PRC. Leizhou City is a county-level city in Guangdong Province, the PRC. It is under the jurisdiction of the prefecture-level city of Zhanjiang and it is located at the middle of Leizhou Peninsula. Leizhou City is an important agricultural product supply base in the Dawan District. It enjoys excellent geographical location and it possesses good agricultural production conditions. The cooperation is expected to develop modern warehousing and logistics, accelerate the promotion of rural revitalisation and poverty alleviation. The Company entered into the Framework Agreement with the intention of leveraging on the Parties' respective strength, resources and expertise, which in turn could enhance the Group's competitiveness.

* *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 cooperation is still in the discussion stage and no formal agreement has been entered into by the parties as 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 sub-projects, 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 sub-projects, namely, (i) seafood food city; (ii) cold chain logistics base; and (iii) seafood transactions market. The Company also entered into an agreement with Party A in relation to the sub-project "**Seafood Food City**" on 28 September 2017. The Company will invest RMB300 million for the construction of the Seafood Food City and ancillary landscape facilities.

* *For identification purpose only*

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.

During the Year, Company A has obtained the Land Planning Permit and the Construction Planning Permit for the “Seafood Food City”. On 24 December 2018, the commercial housing pre-sale permit of phase one of the Seafood Food City was also obtained and would be available for sale in the second half of 2019. It is expected that the whole construction of the Seafood Food City on the Land Parcel will be completed on or before 19 March 2021.

The Directors believe 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$1,267.14 million (2017: HK$1,114.64 million), representing an increase of 13.68% over last year. Gross profit of the Group was approximately HK$169.93 million (2017: HK$119.31 million). The profit (net of tax) was HK$11.78 million (2017: HK$110.28 million).

Other Income

It included the income of HK$15.11 million (2017: HK$8.19 million) arising from the forfeit of the rental agreement. Besides, there was a fair value gain on investment properties amounted to HK$7.09 million (2017: HK$43.32 million). Other income in 2017 mainly comprised 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.

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK$21.21 million (2017: HK$20.30 million), representing an increase of 4.48% from last year and 1.67% (2017: 1.82%) of the Group's revenue.

Administrative Expenses

Administrative expenses were approximately HK$120.30 million (2017: HK$138.27 million), representing a decrease of 13.00% from last year. The general administrative expenses increased due to the expansion of the Group's business. However, the overall administrative expenses decreased because of the reduction of the equity-settled share option expenses for share options granted in 2015 and 2016, which amounted to HK$1.06 million (2017: HK$42.57 million).

* *For identification purpose only*

Finance Costs

Finance costs were approximately HK$51.59 million (2017: HK$44.71 million), representing an increase of 15.39% over last year. The increase in finance costs was 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 in 2017 by the Company's subsidiaries.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK$199.18 million (2017: HK$219.29 million) paid for food products and mineral products. The amounts of approximately HK$48.59 million (2017: HK$67.74 million) were the progress payments for the investment targets. HK$79.39 million (2017: HK$33.10 million) was paid as rental deposit for the rental business and HK$64.34 million (2017:HK$11.51 million) was paid as deposit for the new warehouse construction. No retention money (2017: HK$9.79 million) for contract work was paid.

Capital Structure, Liquidity and Financial Resources

During the Year, the Company issued a total of 200,000,000 new shares due to issue of subscription shares. In addition, the Company repurchased a total of 17,000,000 shares of the Company in 2018 and 17,000,000 shares repurchased by the Company during the year ended 31 December 2017 were cancelled during the Year. As a result, the total number of issued shares of the Company increased by 183,000,000 shares to 5,617,258,084 shares as at 31 December 2018.

As at 31 December 2018, the Group had net assets to owners of the parent of approximately HK$1,459.01 million (2017: HK$1,462.21 million). Net current assets of the Group as at 31 December 2018 amounted to approximately HK$352.57 million (2017: HK$398.15 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.36 (2017: 1.45).

The Group's unpledged cash and cash equivalents as at 31 December 2018 amounted to approximately HK$37.28 million (2017: HK$66.18 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposit as at 31 December 2018 amounted to approximately HK$83.58 million (2017: HK$214.23 million).

As at 31 December 2018, the Group's total borrowings amounted to approximately HK$533.83 million (2017: HK$616.56 million). All of the Group's borrowings were denominated in Renminbi and 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 2018 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 37.21% (2017: 35.08%). The ratio was at reasonably adequate level as at 31 December 2018. 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 2018, HK$83.58 million was pledged to banks to secure the Group's bills payable (2017: HK$214.23 million).

Subscription of New Shares Under General Mandate

On 27 August 2018, the Company entered into the subscription agreements separately with each of the six independent subscribers for the subscription of an aggregate of 200,000,000 subscription shares at the subscription price of HK$0.30 per subscription share ("**Subscription**"). The closing market price was HK$0.27 per share at the date of the subscription agreements.

The Board considered that the Subscription represented an opportunity to raise additional funding for the Group's business operation, investment and acquisitions, and also 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 Subscription was a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

The Subscription was completed on 11 September 2018 and the Company issued 200,000,000 subscription shares to the subscribers. The aggregate proceeds from the Subscription amounted to HK$60.0 million which was intended to be used by the Company for the Group's business development, investments, acquisition, repayment of loans and general working capital purposes. The net proceeds and the net price per subscription share in respect of the Subscription was approximately HK$59.9 million and HK$0.2995 respectively, after deducting all the professional fees incurred in the Subscription. The Company had fully utilised the net proceeds to as intended. Details of the Subscription were set out in the announcements of the Company dated 27 August 2018 and 11 September 2018.

Litigation

(i) 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 was completed against the proceedings for the above case and entered into the case management stage. There was a case management hearing on 20 September 2017. The court ordered the parties to exchange their respective witness statements on 20 December 2017. The parties complied with the said order to exchange the witness statements. Moreover, the parties also exchanged their supplemental witness statements in mid of August 2018. Subsequently, we filed our amended pleadings in late of February 2019. It is expected that Mr. Qu will file his amended pleadings in late of April 2019 and there will be another case management hearing on 18 September 2019. The Company will update its shareholders and investors about the status of the case by way of announcement as and when required in accordance with the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")

(ii) The Company is aware that two civil litigations in relation to its cooperation contracts were filed with the People's Court of Qianhai Cooperation Zone, Guangdong Province against the Company, and a bank account of one of its subsidiaries was frozen as a result thereof. After obtaining Chinese legal advice, the Company believes that the probability of compensation being payable is low. While waiting for the writ of summons to be issued by the court, the Company is seeking further information about the status and processes of these cases from its Chinese lawyers. After obtaining such information, the Company will provide further information about these cases by way of announcement as and when required.

Employees and Remuneration Policy

As at 31 December 2018, the Group had approximately 174 (2017: 165) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK$28.85 million (2017: HK$35.24 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.

Continuing Connected Transactions

On 13 May 2015, the Company entered into a framework agreement ("**Framework Agreement**") with Heilongjiang Nongken Beidahuang Business Trade Liability Group Co., Ltd (the "**Supplier**") and its subsidiaries (the "**Supplier Group**") in relation to the supply of green and organic food products including but not limited to corn, cooking oil, and cereals and oils. The Supplier is the holding company of Beidahuang Marketing Co. Ltd. which is a substantial shareholder of Shenzhen Beidahuang Green Food Distribution Limited (a non-wholly owned subsidiary of the Company). Thus, the Supplier Group is a connected person of the Company and the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

However, the Framework Agreement was expired and the Company has not renewed the agreement and obtained the approval of independent shareholders of the continuing connected transactions during the financial year ended 31 December 2018 as required under the Listing Rules. The Company will ratify the non-compliance and will update the public by way of announcement as and when required.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, the Company repurchased a total of 17,000,000 shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK$4,695,408, none of these repurchased shares were cancelled during the Year. However, 17,000,000 shares that were repurchased in 2017 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$*	*HK$*
May 2018	8,000,000	0.320	0.310	2,551,560
September 2018	4,000,000	0.250	0.243	997,288
October 2018	5,000,000	0.231	0.210	1,146,560
Total	17,000,000			4,695,408

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 2018 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 Listing Rules during the year ended 31 December 2018, save as disclosed as follows.

Deviation from Code Provision A.1.3 of the CG Code

Code Provision A.1.3 of the CG Code requires that 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.

Deviation from Code Provision A.2.1 of the CG Code

Code Provision A.2.1 of the CG Code requires that 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. 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. During the period from 1 January 2018 to 9 December 2018, Mr. Jiang Jianjun was the Chairman of the Company. Mr. Li Jiehong and Mr. Gu Chunyang were appointed as the Chairman and the Vice Chairman of the Company respectively with effect from 10 December 2018. 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.

Deviation from Code Provision A.6.5 of the CG Code

Code Provision A.6.5 of the CG Code requires that 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 records from Ms. Zhang Yujie, Mr. Wang Jianguo and Mr. Zhang Xianming, all of them are former Directors.

Non-compliance with Rules 3.10(1), 3.10A, 3.10(2), 3.21 and 3.25 of the Listing Rules and Deviation from Code Provision A.5.1 of the CG Code

Following the resignation of Dr. Loke Yu as an independent non-executive Director on 1 November 2018, the Company failed to meet the following requirements:

(a) at least three independent non-executive directors on the Board under Rule 3.10(1) of the Listing Rules;

(b) independent non-executive directors who represent at least one-third of the Board under Rule 3.10A of the Listing Rules;

(c) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise (the "**Qualification**") under Rule 3.10(2) of the Listing Rules;

(d) the audit committee comprising only non-executive directors with a minimum of three members and chaired by an independent non-executive director, and at least one of the members is an independent non-executive director who possesses the Qualification under Rule 3.21 of the Listing Rules;

(e) the remuneration committee comprising a majority of independent non-executive directors and chaired by an independent non-executive director under Rule 3.25 of the Listing Rules; and

(f) the nomination committee comprising a majority of independent non-executive directors under code provision A.5.1 of the CG Code.

On 10 December 2018, the Company appointed Mr. Li Jiehong and Mr. Gu Chunyang as executive Directors and Mr. Chong Cha Hwa and Mr. Zhang Xianming as independent non-executive Directors. Following these appointments and up to 31 December 2018, the Board comprised six executive Directors, two non-executive Directors and four independent non-executive Directors and the Company fully complied with the requirements under Rules 3.10(1), 3.10A, 3.10(2), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

EVENTS AFTER THE REPORTING PERIOD

On 21 March 2019, the Company entered into the subscription agreements separately with each of the subscribers for the subscription of an aggregate of 624,867,599 subscription shares at the subscription price of HK$0.185 per share. The subscription is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the subscription shares. Details of the subscription agreements are disclosed in the announcement of the Company dated 21 March 2019.

By Order of the Board
China Beidahuang Industry Group Holdings Limited
Li Jiehong
Chairman

Hong Kong, 29 March 2019

As at the date of this announcement, the Executive Directors are Mr. Li Jiehong (Chairman), Mr. Gu Chunyang (Vice Chairman), Mr. Jiang Jianjun, Mr. Ke Xionghan and Mr. Huang Wuguang; the Non-executive Director is Ms. Ho Wing Yan; and the Independent Non-executive Directors are Mr. Chong Cha Hwa, Mr. Ho Man Fai and Mr. Yang Yunguang.