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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of China Beidahuang Industry Group Holdings Limited (the "**Company**") announces the unaudited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 together with the comparative figures for 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Notes	**2019** *HK$'000* **(Unaudited)**	2018 *HK$'000* (Audited)
Revenue	*4*	**779,305**	1,267,140
Cost of sales		**(666,373)**	(1,097,213)
Gross profit		**112,932**	169,927
Other income, gains or losses	*5*	**40,327**	32,767
Selling and distribution expenses		**(18,407)**	(21,212)
Administrative expenses		**(100,249)**	(120,301)
Profit from operation		**34,603**	56,757
Impairment losses under expected credit loss model		**(177,991)**	(4,424)
Other operating expense		**(89,575)**	–
Finance costs	*6*	**(111,086)**	(51,592)
Share of loss of associates		**(334)**	(2,084)
Gain on disposal of subsidiaries		**2,490**	9,547
(Loss)/profit before taxation	*7*	**(341,893)**	12,628
Taxation	*8*	**984**	(851)

	Notes	**2019** ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
(LOSS)/PROFIT FOR THE YEAR		**(340,909)**	11,777
Other comprehensive gain/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		**825**	(6,611)
Exchange differences arising on translation of foreign operations and associates		**(51,488)**	(49,560)
Total comprehensive loss for the year		**(391,572)**	(44,394)
(Loss)/profit attributable to:			
Owners of the Company		**(291,072)**	4,650
Non-controlling interests		**(49,837)**	7,127
		(340,909)	11,777
Total comprehensive loss attributable to:			
Owners of the Company		**(340,477)**	(51,457)
Non-controlling interests		**(51,095)**	7,063
		(391,572)	(44,394)
(LOSS)/EARNINGS PER SHARE	*10*		
– Basic and diluted *(in HK cents)*		**(4.94)**	0.08

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**75,010**	321,173
Investment properties		**395,602**	398,065
Right-of-use assets		**748,469**	–
Rental deposits paid		**10,263**	30,413
Goodwill		**34,646**	47,266
Other intangible assets		**62,990**	123,495
Interests in associates		**278,734**	286,450
		1,605,714	1,206,862
CURRENT ASSETS			
Inventories		**48,393**	57,169
Properties for sale		**202,813**	–
Trade receivables	*12*	**96,681**	130,862
Loan receivables	*11*	**360,038**	376,429
Prepayments, deposits and other receivables		**537,387**	628,431
Financial assets at fair value through profit or loss		**33,857**	27,355
Pledged deposits		**47,777**	83,584
Cash and cash equivalents		**79,995**	37,277
		1,406,941	1,341,107
CURRENT LIABILITIES			
Trade and bills payables	*13*	**173,506**	244,915
Other payables and accruals		**172,324**	142,628
Contract liabilities		**85,200**	51,471
Bank and other borrowings		**541,962**	333,424
Convertible bonds		**–**	195,378
Amount due to related party		**6,639**	12,655
Bank overdraft		**–**	5,032
Tax payable		**1,823**	3,032
Lease liabilities		**105,289**	–
		1,086,743	988,535

	Notes	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
NET CURRENT ASSETS		**320,198**	352,572
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,925,912**	1,559,434
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**43,896**	47,445
Lease liabilities		**652,760**	–
Total non-current liabilities		**696,656**	47,445
Net assets		**1,229,256**	1,511,989
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**622,513**	561,726
Reserves		**606,824**	897,283
		1,229,337	1,459,009
Non-controlling interests		**(81)**	52,980
Total equity		**1,229,256**	1,511,989

NOTES TO THE UNAUDITED ANNUAL RESULTS

FOR THE YEAR ENDED 31 December 2019

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.

Going concern basis

During the year ended 31 December 2019, the Group recorded a consolidated net loss of approximately HK$340,909,000. As at 31 December 2019, the Group had cash and cash equivalents of approximately HK$79,995,000, and the outstanding bank and other borrowing of approximately HK$541,962,000 were due for repayment or renewal with the next twelve months after 31 December 2019. Included in bank and other borrowing, default payment for other borrowings of approximately HK$438,179,000, including the additional interest and penalty.

The directors of the Company consider the Group will have sufficient working capital to finance it operations and financial obligation as and when they fall due, and accordingly, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis after taking into consideration the followings:

1) management has been endeavoring to improve the Group's operating results and cash flows through various cost control measures and will focus on the existing business.

2) negotiating with banks for new banking facilities;

3) negotiating with creditors' new terms of other borrowings;

4) The Group had budgeted and laid out its business plan for pre-sale of the properties for sale on Seafood Phase One Houses included in consolidated statement of financial position in the second half of 2020.

The Group estimates that the above measures would bring about sufficient cash to ensure that the Group will continue as a going concern. The Group has taken into consideration of the existing epidemic outbreak of COVID-19 (the "Epidemic") when preparing the cash flow forecast. In light of the Epidemic, the operation of the sale of properties have been temporary suspended. Management expects the operation of the sale of properties will gradually revive. Therefore, the management does not believe the Epidemic will materially affect the Group's cash flows significantly within next twelve months from the end of the reporting perred.

2. APPLICATION OF NEW AND AMENDMENTS TO 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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the directors of the Company anticipate that the application of all other new and 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.

HKFRS 16 Leases

Transition and summary of effects arising from initial application of HKFRS 16

On 1 January 2019, the Group has applied HKFRS 16. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessor

During the year ended 31 December 2019, application of HKFRS 16 by the Group as a lessor has no material impact on the Group's consolidated financial statements.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

ii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties was determined on a portfolio basis;

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

iv. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

v. relied on the assessment of whether lease are onerous by applying HKAS 37 Provision, Contingent Liabilities and Contingent Assets as an alternative of impairment review.

On transition, the Group has made the following adjustments upon application of HKFRS16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by relevant group entities was ranged from 6.48% to 7.00%.

	At 1 January 2019 *HK$'000* (Unaudited)
Operating lease commitments disclosed as at 31 December 2018	1,108,541
Less: total future interest expenses	(214,456)
Present value of remaining lease payments, discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	894,085
Less: practical expedient-leases with lease term ending within12 months from date of initial application	(13,914)
Less: low-value leases not recognised as liability	(46)
Lease liabilities as at 1 January 2019	880,125
Analysed as:	
Current	109,939
Non-current	770,186
	880,125

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$'000* (Unaudited)
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	*(a)*	880,125
Add: Right-of-use assets relating to deposits of operating leases recognised upon application of HKFRS 16	*(b)*	14,295
		894,420
By class:		
Leased premises		894,420

Notes:

(a) The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately HK$14,295,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously report at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Unaudited)	(Unaudited)
Non-current assets			
Right-of-use assets	–	894,420	894,420
Rental deposits paid	30,413	(10,473)	19,940
Current assets			
Prepayment, deposit and other receivables	628,431	(3,822)	624,609
Current liabilities			
Lease liabilities	–	(109,939)	(109,939)
Non-current liabilities			
Lease liabilities	–	(770,186)	(770,186)

Note:

The application of HKFRS 16 to leases previously classified as operating leases under HKAS 17 resulted in the recognition of right-of-use assets of HK$894,420,000 and lease liabilities of HK$880,125,000 at the initial adoption of HKFRS 16.

New and amendments to HKFRSs in issue but not yet effective

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

HKAS 1 and HKAS 8 (Amendments)	Definition of Material[1]
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
HKFRS 3 (Amendments)	Definition of a Business[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 17	Insurance Contracts[3]

[1] Effective for annual periods beginning on or after 1 January 2020.

[2] 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.

[3] Effective for annual periods beginning on or after 1 January 2021.

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

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 financial leasing segment is engaged in the provision of financial leasing 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$'000 (Unaudited)	Trading of food products HK$'000 (Unaudited)	Construction and development HK$'000 (Unaudited)	Rental HK$'000 (Unaudited)	Financial leasing HK$'000 (Unaudited)	Mineral products HK$'000 (Unaudited)	Unallocated HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Year ended 31 December 2019								
Segment revenue:								
Sales to external customers	4,878	388,180	–	238,550	9,559	138,138	–	779,305
Revenue from contracts with customers								
Timing of revenue recognition								
At a point in time	4,878	388,180	–	–	–	138,138	–	531,196
Revenue from other sources	–	–	–	238,550	9,559	–	–	248,109
Other gains or (losses)	298	1,734	–	24,614	89	809	–	27,544
Other operating expenses	(983)	(15,136)	(15)	(13,172)	(87,108)	(6,687)	–	(123,101)
	4,193	374,778	(15)	249,992	(77,460)	132,260	–	683,748
Segment results	(3,580)	(12,804)	(15)	(39,478)	(85,894)	8,378	–	(133,393)
Reconciliation:								
Interest income								4,116
Unallocated other operating income or loss								8,667
Corporate and other unallocated expenses								(112,687)
Finance costs								(111,086)
Gain on disposal of subsidiaries								2,490
Loss before taxation								(341,893)
Taxation								984
Loss for the Year								(340,909)
Segment assets	137,519	341,553	236,305	1,185,513	408,618	225,893	–	2,535,401
Reconciliation:								
Elimination of intersegment receivables								(793,717)
Corporate and other unallocated assets								1,270,971
Total assets								3,012,655
Segment liabilities	48,884	307,528	56,704	944,702	172,622	80,448	–	1,610,888
Reconciliation:								
Elimination of intersegment payables								(793,717)
Corporate and other unallocated liabilities								966,228
Total liabilities								1,783,399
Other segment information								
Share of loss of associates	–	–	–	–	–	–	(334)	(334)
Gain on disposal of subsidiaries	–	–	–	–	–	–	2,490	2,490
Allowance for expected credit losses recognised on trade receivables	–	(14,358)	–	(1,276)	–	(4,046)	–	(19,680)
Allowance for expected credit losses recognised on other receivables	(983)	(778)	(15)	(32)	(67,498)	(2,641)	(66,754)	(138,701)
Allowance for expected credit losses recognised on loan receivables	–	–	–	–	(19,610)	–	–	(19,610)
Impairment loss on goodwill	–	–	–	(11,864)	–	–	–	(11,864)
Impairment loss on intangible assets	–	–	–	–	–	–	(42,370)	(42,370)
Impairment loss on property, plant and equipment	–	–	–	–	–	–	(35,341)	(35,341)
Depreciation and amortisation	(1,765)	(1,726)	(64)	(155,187)	(393)	(2,826)	(210)	(162,171)
Interests in associates	–	–	–	–	–	–	278,734	278,734
Capital expenditure*	–	–	11,697	2,434	108	677	–	14,916
Fair value loss on financial assets at fair value through profit or loss	–	–	–	–	–	–	7,055	7,055
Loss on disposal of a investment property	–	–	–	(120)	–	–	–	(120)
Fair value gain on investment properties	–	–	–	6,152	–	–	–	6,152

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

	Wine and liquor HK$'000 (Audited)	Trading of food products HK$'000 (Audited)	Construction and development HK$'000 (Audited)	Rental HK$'000 (Audited)	Financial leasing HK$'000 (Audited)	Mineral products HK$'000 (Audited)	Unallocated HK$'000 (Audited)	Total HK$'000 (Audited)
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 taxation								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 to property, plant and equipment, investment properties and assets arised from 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 has one external customer related to trading of food products segment that contributed revenue of approximately HK$143,438,000 that accounted for more than 10% of the Group's total revenue (2018: nil).

4. REVENUE

The Group's revenue represents by wine and liquor, trading of food products, rental, financial leasing and mineral products.

Disaggregation of revenue from contracts with customers

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue from contracts with Customers		
Wine and liquor	**4,878**	8,326
Trading of food products	**388,180**	772,713
Mineral products	**138,138**	199,573
Total revenue recognised at point in time	**531,196**	980,612
Revenue from other sources		
Rental	**238,550**	249,967
Financial leasing	**9,559**	36,561
	779,305	1,267,140
Time of revenue recognition		
At a point in time	**531,196**	980,612
Over time	**–**	–
	531,196	980,612
Geographic market:		
The PRC	**718,059**	1,196,778
Hong Kong	**61,246**	70,362
	779,305	1,267,140

5. OTHER INCOME, GAINS OR LOSSES

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
		(Restated)
Other income, gains or (losses)		
Compensation income	**18,582**	15,109
Interest income	**4,116**	321
Government grant	**176**	35
Fair value gain on investment properties	**6,152**	7,088
Fair value gain on financial assets at fair value through profit or loss	**7,055**	–
Loss on disposal of a investment property	**(120)**	–
Others	**4,366**	10,214
	40,327	32,767

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest on bank and other borrowings		
– wholly repayable within five years	**44,633**	25,574
Interest expense on lease liabilities	**54,930**	–
Effective interest expenses on convertible bonds	**11,523**	26,018
	111,086	51,592

7. (LOSS)/PROFIT BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Cost of inventories recognised as an expenses	**490,187**	980,157
Depreciation of property, plant and equipment	**18,509**	18,070
Depreciation of right-of-use assets	**132,904**	–
Amortisation of other intangible assets	**10,758**	10,870
Expenses related to short term lease and low value assets	**16,711**	–
Minimum lease payments under operating leases in respect of land and buildings	**–**	167,053
Auditors' remuneration	**1,250**	1,250
Employee benefit expense (including directors' emoluments):		
Wages and salaries	**14,211**	20,728
Share-based payments	**–**	1,063
Pension scheme contributions	**1,023**	1,064
Other expenses/(income):		
Fair value (gain)/loss on financial assets at fair value through profit or loss	**(7,055)**	8,401
Allowance/(reversal of allowance) for expected credit losses recognised on trade receivables	**19,680**	(778)
Allowance for expected credit losses recognised on loan receivables	**19,610**	2,418
Allowance for expected credit losses recognised on other receivables	**138,701**	2,784
Impairment loss on goodwill*	**11,864**	–
Impairment loss on intangible assets*	**42,370**	–
Impairment loss on property, plant, and equipment*	**35,341**	–

* *Items included in other operating expenses*

8. TAXATION

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the Company and the subsidiaries is 25% (2018: 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%.

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current tax	**397**	2,938
Deferred tax	**(1,381)**	(2,087)
Total tax (credit)/expenses for the year	**(984)**	851

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

10. (LOSS)/EARNINGS PER SHARE

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

(Loss)/earnings

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
(Loss)/earnings for the purpose of basic and diluted (loss)/earnings per share	**(291,072)**	4,650

Number of Shares

	2019	2018
	'000	*'000*
	(Unaudited)	(Audited)
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share	**5,890,531**	5,483,053

The basic and diluted (loss)/earnings per share are the same for years ended 31 December 2019 and 2018. For the years ended 31 December 2019 and 2018, the effect of the Company's convertible bonds and share options were 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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**14,465**	10,221
31 to 60 days	**26,864**	17,142
61 to 90 days	**21,385**	3,980
91 to 180 days	**106,641**	157,833
181 to 365 days	**113,398**	115,494
Over 365 days	**101,251**	76,279
	384,004	380,949
Less: Allowance for expected credit losses	**(23,966)**	(4,520)
	360,038	376,429

12. TRADE RECEIVABLES

Trade receivables are mainly arisen from sale of goods, 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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**16,329**	28,622
1 to 2 months	**22,265**	65,795
2 to 3 months	**38,298**	25,787
Over 3 months	**41,922**	13,256
	118,814	133,460
Less: Allowance for expected credit losses	**(22,133)**	(2,598)
	96,681	130,862

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Up to 30 days	**4,928**	3,572

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:

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**35,292**	39,385
1 to 2 months	**33,749**	29,780
2 to 3 months	**1,748**	9,134
Over 3 months	**1,100**	395
	71,889	78,694
Bills payable	**101,617**	166,221
	173,506	244,915

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2018: 30-day terms).

14. SHARE CAPITAL

Shares

	2019	2018		
	Number	Number	**2019**	2018
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
Ordinary of share HK$0.10	**8,000,000**	8,000,000	**8,000,000**	8,000,000
Issued and fully paid:				
Ordinary share of HK$0.10 each				
At 1 January	**5,617,258**	5,434,258	**561,726**	543,426
Issue of share upon subscription new shares (note a)	**624,868**	200,000	**62,487**	20,000
Cancellation of repurchased shares (note b)	**(17,000)**	(17,000)	**(1,700)**	(1,700)
	6,225,126	5,617,258	**622,513**	561,726

Notes:

(a) On 12 April 2019, 624,867,599 ordinary shares of HK$0.23 each were issued at HK$0.185 per subscription share as a result of the subscription Agreements dated 21 March 2019. The net proceeds of the subscription, after deducting the expenses payable by the Company, is approximately HK$114,601,000 which was used by the Company for the Group's business development, investments, acquisition, repayment of loans and general working capital purpose. Details of which were disclosed in the Company's announcement dated 12 April 2019.

On 11 September 2018, 200,000,000 ordinary shares of HK$0.10 each were issued at HK$0.3 per subscription share as a result of the subscription Agreements dated 27 April 2018. The net proceeds of the subscription, after deducting the expenses payable by the Company, is approximately HK$60,000,000 which was used by the Company for the Group's business development, investments, acquisition, repayment of loans and general working capital purpose. Details of which were disclosed in the Company's announcement dated 11 September 2018.

(b) On 31 May 2019, the Company cancelled 17,000,000 shares in respect of shares repurchase on 28 May 2018, 18 September 2018, 10 October 2018 and 19 October 2018.

On 6 April 2018, the Company cancelled 17,000,000 shares in respect of shares repurchase on 12 December 2017 and 13 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2019 ("**Year**"), the Group's revenue amounted to approximately HK$779.31 million (2018: HK$1,267.14 million), representing a decrease of 38.50% over last year. Gross profit of the Group was approximately HK$112.93 million (2018: HK$169.93 million). The loss (net of tax) was approximately HK$340.91 million (2018: Profit (net of tax) was HK$11.78 million). Loss per share for the Year was HK4.94 cents (2018: Earnings per share was HK0.08 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 considered the business mix has been diversified during the past few years. The Group will focus on the existing businesses and will expand by self-development and investing in similar business. Investments 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.

During the Year, the wine and liquor business recorded a revenue of approximately HK$4.88 million (2018: HK$8.33 million), down 41.42% when compared with the last year and accounted for 0.63% (2018: 0.66%) 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$388.18 million (2018: HK$772.71 million), accounted for 49.81% (2018: 60.98%) of the total revenue. Gross profit of this business segment for the Year was approximately HK$6.06 million (2018: HK$21.73 million). The sharp decrease in revenue was due to the decrease in trading of commodity hog as the market was seriously affected by African Swine Fever.

Construction and Development Business

Following the successful bid for the land use rights of a land parcel in Lianyungang, Jiangsu in PRC on 5 December 2017, the Group has obtained the Land Planning Permit and the Construction Planning Permit for the "Seafood Food City" during the year 2018. The commercial housing pre-sale permit of phase one of the Seafood Food City was also obtained and start selling in the second half of 2019. However, the outbreak of navel coronavirus affected the sales plan and construction plan. It is expected that the whole construction of the Seafood Food City on the Land Parcel will be delayed to late 2020 or early 2021.

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK$238.55 million (2018: HK$249.97 million), accounted for 30.61% of the total revenue. Gross profit of this business segment for the Year was approximately HK$67.15 million (2018: HK$87.13 million). After few years of development, this segment becomes one of the core businesses of the Group. The Group has rental business in Beijing, Shanghai and Hong Kong and will keep on exploring and investing in potential renting facilities. However, the revenue in this segment is expected to be affected in 2020 which lead to a drop in the future cash flow. Therefore, the related goodwill and was impaired amounted to approximately HK$11,864,000.

Financial Leasing Business

The financial leasing business recorded a revenue of HK$9.56 million (2018: HK$36.56 million), accounted for 1.23% (2018: 2.89%) of the total revenue. As most of the funds were used for other investments, less funds were available for financial leasing and the revenue of this segment decreased. Gross profit of this business segment for the Year was approximately HK$15.57 million (2018: HK$36.56 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$138.14 million (2018: HK$199.57 million) and accounted for 17.72% (2018: 15.75%) of the total revenue. The Group acquired this business in 2017 and 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$30.16 million (2018: HK$23.95 million).

Disposal of Subsidiary

On 20 May 2019, the Group entered into a sale and purchase agreement to dispose of its 60% equity interest in 中山市江羅實業有限公司 (Zhongshan Jiangluo Industrial Co., Limited*) to an independent third party for cash consideration of RMB59,500,000 (equivalent to approximately HK$67,717,000). The disposal was completed on 23 May 2019. Upon completion of the disposal, the Group ceased to have any equity interest in 中山市江羅實業有限公司 (Zhongshan Jiangluo Industrial Co., Limited*). The Group realized a gain of approximately HK$2.5 million as a result of the disposal.

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.

Memorandum of Understanding

(i) 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. A subsidiary indirectly wholly-owned by the Company was subsequently set up for developing this project. Details of the above were disclosed in the announcement of the Company dated 22 March 2019.

(ii) On 17 June 2019, the Company entered into a memorandum of understanding (the "**Memorandum**") with Cellvax ("**Cellvax**", together with the Company, the "**Parties**") in respect of the proposed cooperation plan with Cellvax, which includes the Parties' intention to enter into a definitive sale and purchase agreement (the "**Definitive Agreement**") regarding the Company's possible acquisition of shares in Cellvax (the "**Possible Investment**"). According to Cellvax, it is a technology-driven preclinical service company. The Company entered into the Memorandum with the intention to formulate a cooperation plan with Cellvax with a view to leverage on the Parties' respective strength, resources and expertise, which in turn could enhance the Group's competitiveness. The entering into of the Memorandum is in line with the business strategies of the Group to explore business and/or investment opportunities in the biomedical field. Details of the Memorandum were disclosed in the announcement of the Company dated 17 June 2019.

According to the Memorandum, it has a term of six months from the date of the Memorandum (the "**Relevant Period**"), and during the term the Parties may enter into the Definitive Agreement, if the Parties decide to proceed with the Possible Investment. The Relevant Period expired on 16 December 2019 and after that date and up to the date of this announcement, the Parties have not yet reached any Definitive Agreement on the Possible Investment.

(iii) On 17 June 2019, the Company, as investor, also entered into a memorandum of understanding (the "**Memorandum**") with Augusta Hemp Corp. ("**AHC**", together with the Company, the "**Parties**") in respect of, among other things, their intention to enter into a definitive legally binding subscription agreement (the "**Definitive Agreement**") with respect to the Company's possible investment in AHC (the "**Possible Investment**"). According to AHC, it is principally engaged in cultivation, production, harvesting and the pursuit of processing hemp in the province of Alberta, Canada. Details of the Memorandum were disclosed in the announcement of the Company dated 17 June 2019.

According to the Memorandum, it is anticipated that the Definitive Agreement will be executed and closed on or before 15 September 2019, or such other date that is agreed between the Parties. The Company may carry out due diligence review on AHC prior to 15 September 2019, which may include, among other things, review of budget and use of proceeds. According to AHC, it is a private corporation based in Vancouver, British Columbia and focused in growing high quality medical grade cannabis and micropropagation of unique varietals for the medical market. AHC expects to become a licensed producer under the new Cannabis Tracking and Licensing System (CTLS) and have multiple international licenses to cultivate, transform, and export non-psychotropic and psychotropic medical marijuana to participating international markets.

Leveraging on the expertise and experience of AHC in the agricultural business, the Group is optimistic about the development and growth potential of AHC. The entering into of the Memorandum is in line with the business strategies of the Group to enhance its reach and experience in the agricultural industry.

The Memorandum expired on 15 September 2019 and after that date and up to the date of this announcement, the Parties have not reached any Definitive Agreement on the Possible Investment.

(iv) On 20 March 2020, the Company entered into a memorandum of understanding (the "**Memorandum**") with Ningxia Yinhe Huixin Technology Investment Co., Ltd.*（寧夏銀河滙信科技投資有限公司）("**Ningxia YH**") and Zhou Zhijie*（周志杰）("**Mr. Zhou**", together with Ningxia YH, collectively, the "**Existing Shareholders**", together with the Company, collectively, the "**Parties**") pursuant to which the Company intends to acquire ("**Possible Acquisition**") 20% equity interest in Ningxia Chenggong Red Chateau Daymore Management Service Co., Ltd.*（寧夏成功紅黛墨酒莊管理服務有限公司）(the "**Target Company**").

According to the Memorandum, the Company shall cooperate with the Existing Shareholders on the operation of the Target Company, where the Company shall provide support to the existing wine business, including sales channel warehousing, and integrate the Parties' resources with a view to maximise the relevant benefits (the "**Possible Cooperation**"). The Existing Shareholders shall provide profit guarantee in respect of the Target Company, which shall be not less than RMB30 million per year.

According to the Memorandum, the Parties will proceed with further negotiation for the entering into the formal agreement in respect of the Possible Acquisition within six months from the date of the Memorandum, or such other date as may be agreed by the Parties. The Parties will negotiate to enter into a definitive cooperation agreement upon the commencement of the Possible Cooperation. Details of the Memorandum were disclosed in the announcement of the Company dated 20 March 2020.

Business Co-operation

(i) On 12 April 2019, the Company entered into a cooperation agreement (the "**Cooperation Agreement**") with 廣東省農業科學院 (Guangdong Academy of Agricultural Sciences) ("**GDAAS**", together with the Company, the "**Parties**") in respect of, among other things, a possible formation of a joint venture enterprise (the "**JV Company**") with the proposed name of 廣東省農科創新投資有限公司 (Guangdong Agricultural Science Innovation Investment Co., Ltd.*), subject to the approval of the company name by the relevant government department. The business of the JV Company is expected to include, among other things, (i) cooperation with government authorities in the Guangdong province and outstanding agricultural enterprise, with a view to invest and engage in sustainable development of modern agricultural projects; (ii) investment and operation in modern agricultural tourism projects; (iii) packaging and sales of local agricultural specialty products; (iv) joint investment with local government in the construction of Guangdong "美麗鄉村" (Countryside Beauty*) and "田園綜合體" (Pastoral Complex*) project; and (v) formation of modern agricultural development funds and set up a "Brand + Technology + Financial" service platform with a view to utilise achievements of innovative technology in modern agriculture.

The possible formation of the JV Company symbolises the upgrade of the Group's reach in terms of agricultural business development and localisation of the Group's development opportunities. Leveraging on the Group's expertise and connections in the agricultural industry, the Group will cooperate with GDAAS with a view to develop its agricultural, financial and technology expertise and further the Group's bonding with leading institutions in the agricultural industry, which may create a new stream of revenue for the Group through future cooperation opportunities. The Company entered into the Cooperation Agreement with the intention of leveraging on the Parties' respective strength, resources and expertise, which in turn could enhance the Group's competitiveness. Details of which were disclosed in the announcement of the Company dated 12 April 2019.

The JV Company was subsequently set up. However, another name was used instead of the proposed name, which is 廣東省農科科技創新投資有限公司. The Company indirectly held 80% equity interest of the JV Company and has started to execute the business plan.

(ii) On 31 May 2019, the Company entered into the strategic cooperation agreement (the "**Cooperation Agreement**") with 廣東銀瀛農業集團有限公司 (Guangdong Yinying Agricultural Group Co., Ltd.*) ("**Guangdong Yinying**", together with the Company, the "**Parties**") in respect of, among other things, business cooperation between the Parties in, among others, operation and cooperation on project development, rural complex, agricultural products market and online mall (the "**Cooperation**"). According to Guangdong Yinying, it has a comprehensive and professional industrial chain for modern agriculture, including agricultural planting technology, agricultural finance, agricultural brand planning, e-commerce operations, physical stores, bulk trade, agricultural tourism projects, farmers market, cold chain, rural revitalisation. The Company entered into the Cooperation Agreement with the intention of leveraging on the Parties' respective strength, resources and expertise, which in turn could enhance the Group's competitiveness. Furthermore, according to the Cooperation Agreement, it is expected that the Parties may through the Cooperation promote their respective public image and increase their corporate brand value. It is anticipated that given the Cooperation, the Parties may form a long term strategic partnership through different forms of resources exchange, optimisation and expansion of communication channels and joint project development. As such, the Directors considered that the terms of the Cooperation Agreement is fair and reasonable and the Cooperation is in the interest of the Company and its Shareholders as a whole. Details of which were disclosed in the announcement of the Company dated 31 May 2019.

(iii) On 16 August 2019, the Company entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") with 中山市雲創農業科技有限公司 (Zhongshan Yunchuang Agricultural Technology Co., Ltd.*) ("**Zhongshan Yunchuang**", together with the Company, the "**Parties**") in respect of, among other things, a possible formation of a joint venture enterprise (the "**JV Company**") with the proposed name of 深圳市菜藍子菜娘子配送有限公司 (Shenzhen City Cailanzi Cainiangzi Distribution Co., Ltd.*), subject to the approval of the company name by the relevant government department. After the formation of the JV Company, it is expected that the JV Company will engage in, among other things, the development of an online and offline fresh groceries distribution and delivery system in the community. The JV Company may take advantage of the adaptiveness of the model of 菜娘子 (Cainiangzi*) ("**Cainiangzi**"), a fresh grocery distribution and delivery system, and it may utilise the Company's resources in supply chain and industry reputation with a view to incubate business opportunities within the community with development focus in the Greater Bay Area, the PRC.

According to the Strategic Cooperation Agreement, it is planned that the JV Company will develop and expand its business to cover 50 major cities in the PRC over the next three years. According to the Strategic Cooperation Agreement, details of the cooperation between the Parties will be subject to a definitive agreement to be entered into between the Parties after the establishment of the JV Company. Details of which were disclosed in the announcement of the Company dated 16 August 2019.

(iv) On 23 January 2020, the Company, through its wholly-owned subsidiary, namely Shenzhen Nongjiayuan Vegetable Basket E-Commerce Co., Ltd.*（深圳市農家園菜籃子電子商務有限公司）("**Shenzhen Nongjiayuan E-Commerce**") entered into a cooperation agreement (the "**Cooperation Agreement**") with Jiangsu Wortact Group Co., Ltd.*（江蘇沃田集團股份有限公司）, a company listed on the National Equities Exchange And Quotations Co., Ltd. (NEEQ:832139) ("**Jiangsu Wortact**", together with the Company, the "**Parties**") in respect of a business cooperation (the "**Sales Cooperation**") involving, among other things, the sales of blueberries and other related products under the dual-brand name of both of the Parties.

According to the Cooperation Agreement, Jiangsu Wortact shall be responsible for, among other things, the production and delivery of a number of products in accordance with the specifications from Shenzhen Nongjiayuan E-Commerce, and Shenzhen Nongjiayuan E-Commerce shall be responsible for the sales planning and implementation of sales strategy in respect of the sales of blueberries and other related products.

The Sales Cooperation is focused at developing brand integration in order to jointly enhance the Parties' reputation and sales ecology. Moreover, the Sales Cooperation sets common goals for the Parties to achieve at an industry level, promotion of brand image and sales. Details of which were disclosed in the announcement of the Company dated 23 January 2020.

Financial Review

Revenue

The Group achieved a revenue of approximately HK$779.31 million (2018: HK$1,267.14 million), representing a decrease of 38.50% over last year. Gross profit of the Group was approximately HK$112.93 million (2018: HK$169.93 million). The loss (net of tax) was HK$340.91 million (2018: Profit (net of tax) was HK$11.78 million).

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK$18.41 million (2018: HK$21.21 million), representing a decrease of 13.20% from last year and 2.36% (2018: 1.67%) of the Group's revenue.

Administrative Expenses

Administrative expenses were approximately HK$100.25 million (2018: HK$120.30 million), representing a decrease of 16.67% from last year. The decrease was mainly due to the decline of the business of commodity hog trading. Also, the Group continued to control the cost through simplifying and combining the structure of the subsidiaries of similar business.

Impairment loss and amount recovered recognised on trade receivables, loan receivables and other receivables

During the Year, the management performed an impairment assessment and recover amount on i) trade receivables resulting in net amount impaired of HK$19.7 million (2018: Net reversal of HK$0.8 million) being recognised for the Group's trading of food products business, rental business and mineral products business, ii) loan receivables resulting in net amount impaired of HK$19.6 million (2018: Net impaired of HK$2.4 million) being recognised for the Group's financial leasing business and iii) other receivables resulting in net amount impaired of HK$138.7 million (2018: Net impaired of HK$2.8 million) being recognised for the Group due to the debtors' financial difficulty, however, the Group was informed by its legal advisers.

Finance Costs

Finance costs were approximately HK$111.09 million (2018: HK$51.59 million). The increase was mainly due to the increase of interest expenses of lease liabilities.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK$196.26 million (2018: HK$199.18 million) paid for food products and mineral products. The amounts of approximately HK$50.55 million (2018: HK$48.59 million) were the progress payments for the investment targets. HK$34.37 million (2018: HK$79.39 million) was paid as rental deposit for the rental business and there was no deposit paid for the warehouse construction (2018: HK$64.34 million).

Capital Structure, Liquidity and Financial Resources

During the Year, the Company issued a total of 624,867,599 new shares due to issue of subscription shares. In addition, 17,000,000 shares repurchased by the Company during the year ended 31 December 2018 were cancelled during the Year. As a result, the total number of issued shares of the Company increased by 607,867,599 shares to 6,225,125,683 shares as at 31 December 2019.

As at 31 December 2019, the Group had net assets to owners of the parent of approximately HK$1,229.34 million (2018: HK$1,459.01 million). Net current assets of the Group as at 31 December 2019 amounted to approximately HK$329.81 million (2018: HK$352.57 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.31 (2018: 1.36).

The Group's unpledged cash and cash equivalents as at 31 December 2019 amounted to approximately HK$80 million (2018: HK$37.28 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposits as at 31 December 2019 amounted to approximately HK$47.78 million (2018: HK$83.58 million).

As at 31 December 2019, the Group's total bank and other borrowings amounted to approximately HK$541.96 million (2018: HK$533.83 million). All of the Group's bank and other borrowings were denominated in Renminbi and Hong Kong dollars. Included in bank and other borrowings, default payment for other borrowing of approximately HK$438,179,000 including the additional interest and penalty. The Company keeps negotiating with creditors of other borrowings for extension of repayment period.

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 2019 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 38.41% (31 December 2018: 30.99%). The ratio was at reasonably adequate level as at 31 December 2019. On 15 August 2019, the Company announced that it signed a non-legally binding memorandum of understanding with an independent securities broker to place convertible bonds with the total principal amounts of HK$120 million (the "**New CB**"). The terms of the New CB is still negotiating with the independent securities broker and further announcement will be made when appropriate. As the commercial housing pre-sale permit of phase one of the Seafood Food City ("**Seafood Phase One Houses**") was obtained, it is expected the sale of the Seafood Phase One Houses will be recovered start from the second half of 2020. Having considered the Group's current unpledged cash and cash equivalents, bank and other borrowings, banking facilities, possible fund raising and the business operation income, the management believes that the Group's financial resources are sufficient for its day-to-day operations and repayment of debts. 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 2019, the deposit of HK$47.78 million was pledged to banks to secure the Group's bills payable (2018: HK$83.58 million).

Subscription of New Shares Under General Mandate

On 21 March 2019, the Company entered into the subscription agreements separately with each of the six independent subscribers for the subscription of an aggregate of 624,867,599 subscription shares at the subscription price of HK$0.185 per subscription share ("**Subscription**"). The closing market price was HK$0.23 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 12 April 2019 and the Company issued 624,867,599 subscription shares to the subscribers. The aggregate proceeds from the Subscription amounted to HK$115.6 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$114.6 million and HK$0.1834 respectively, after deducting all the professional fees incurred in the Subscription. The Company had fully utilised the net proceeds, of which approximately HK$109 million (95%) were utilised for repayment of secured bank loan and bonds, and approximately HK$5.6 million (5%) were utilised for general working capital. Details of the Subscription were set out in the announcements of the Company dated 21 March 2019 and 12 April 2019.

Litigations

(i) On 18 August 2015, the Company received a writ of summons issued from the High Court of Hong Kong (the "**Writ**") relating to a claim by Mr. Qu Shuncai ("**Mr. Qu**"), a former director of the Company. Pursuant to the Writ, Mr. Qu 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 his exercise of the share options. The proceedings are now at an advanced stage, and there will be a case management hearing on 24 June 2020. The Company will update its shareholders and investors about the progress 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) On 15 August 2019, the Company received a winding up petition ("**Petition**") filed by Mr. Qiu Zhen ("**Petitioner**") for an order that the Company may be wound up by the High Court of the Hong Kong pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong). The Petition was filed against the Company for being unable to repay a debt of amount HK$21,140,987. Details of the Petition were disclosed in the announcements of the Company dated 15 August 2019 and 22 August 2019. Subsequently, our legal representatives filed a Notice of Originating Summons to the Court (under HCMP 1284 of 2019) returnable before a High Court Judge on 19 September 2019 for an order to direct the Petitioner to withdraw the Petition or otherwise to be restrained from taking further step to prosecute the Petition on the ground that the Petition is an abuse of process of the court. Due to the General Adjournment of the Court business, there is no hearing date until further directions made by the Court.

(iii) On 21 August 2019, the Company received a writ of summons issued on behalf of United Target Finance Company Limited ("**United Target**") under HCA 1520 of 2019. According to the Statement of Claim, United Target being the plaintiff, claims against the Company for the sum of HK$10,055,772.96. Our legal representatives filed an Acknowledgment of Service on 27 August 2019 and stated our intention to contest the proceedings. Due to the General Adjournment of the Court business, there is no hearing date until further directions made by the Court.

(iv) On 28 August 2019, our legal representatives filed a Notice of Originating Summons to the Court (under HCMP 1348 of 2019) to apply to the Court to dispute a Statutory Demand dated 24 July 2019 issued on behalf of Madam 方香崽 for the sum of HK$20,094,520.55. The case has been adjourned sine die.

(v) On 24 October 2019, the Company received a writ of summons (under HCA 1948 of 2019) issued on behalf of Gemini Funds Limited for an order to direct the Company to deliver up the share certificate of 5,000,000 (Bonus) Shares issued in January 2016 and damages to be assessed. The said Gemini Funds Limited has also taken out an application for summary judgment against the Company returnable before a Master of the High Court on 9 April 2020. Our legal representative filed an Acknowledgment of Service on 6 November 2019, and the Company has retained a Counsel to draft the Defence and an affidavit in opposition to the application.

(vi) Pursuant to the Petition under item (ii) above, the Company successfully obtained a Validation Order of the Court dated 17 January 2020, under which any transfer of the issued and fully paid up shares in the Company since 13 August 2019 shall not be avoided by s.182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) in the event of a winding-up order being made against the Company. Upon the end of the General Adjournment of the court business, the sealed copy order will be obtained. The Company will update its shareholders and investors by way of announcement as and when required in accordance with the Listing Rules.

(vii) 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. A writ of summons was issued by the court and the hearing was held on 18 October 2019. The maximum claim under the two civil litigations is RMB20 million. As the court has not yet made judgement after the hearing, the Company is still seeking PRC legal advice for further information regarding the situation.

Employees and Remuneration Policy

As at 31 December 2019, the Group had approximately 157 (2018: 174) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK$14.2 million (2018: HK$28.85 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 10 June 2019, the Company entered into a new framework agreement ("**New Framework Agreement**") with 通遼北大荒糧貿有限公司 (Tongliao Beidahuang Cereals Trading 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 a subsidiary of 北大荒營銷股份有限公司 (Beidahuang Marketing Co. Ltd.*) which is a substantial shareholder of 深圳北大荒綠色食品配送有限公司 (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 New Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

The New Framework Agreement was duly passed by way of poll at the extraordinary general meeting held on 8 October 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019. However, on 31 May 2019, the Company cancelled 17,000,000 shares in respect of the shares repurchased on 28 May 2018, 18 September 2018, 10 October 2018 and 19 October 2018 and the number of issued shares of the Company was reduced accordingly.

EVENTS AFTER REPORTING PERIOD

Since January 2020, the Epidemic has impacted the global business environment. Up to the date of these financial statements, the Epidemic has resulted in material adverse impact to the Group's turnover due to human resources bottlenecking arising from the Epidemic and public health measures, and the downtrend is expected to be carried forward to certain extent for the rest of the first quarter or even the first half of 2020 due to the pressure on worldwide supply chain. Pending the development and spread of the Epidemic subsequent to the date of the financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial statements. The Group will continue to monitor the development of the Epidemic and react actively to its impact on the financial position and operating results of the Group.

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 2019, 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 decisions 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. Mr. Li Jiehong, 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.

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 Mr. Zhang Xianming, Mr. Zeng Fanxiong, Mr. Wang Jianguo, Mr. Gu Chunyang, Mr. Jiang Jianjun and Mr. Huang Wuguang, all of them are former Directors.

Deviation from Code Provision E.1.2 of the CG Code

Code Provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. Li Jiehong, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 6 June 2019 due to his engagement of the Group's other pressing business.

Deviation from Code Provision E.1.5 of the CG Code

Code Provision E.1.5 of the CG Code requires that the issuer should have a policy on payment of dividends and should disclose it in the annual report. As the Company is still in its development phase and the performance will continue to be impacted by the relevant industry's and economic outlook in the foreseeable future, the Board is of the opinion that it is not appropriate to adopt a dividend policy at this stage. The Board will review the Company's status periodically and consider to adopt a dividend policy if and when appropriate.

Non-compliance with Rule 3.10A of the Listing Rules

During the period from 3 January 2019 to 28 January 2019, the Company had not complied with the requirement under Rule 3.10A of the Listing Rules that independent non-executive directors shall represent at least one-third of the Board, following the resignation of Mr. Zhang Xianming as an independent non-executive Director on 3 January 2019.

On 29 January 2019, Mr. Zeng Fanxiong and Mr. Wang Jianguo resigned as executive Director and non-executive Director respectively. As a result, the Board comprises nine members with five executive Directors, one non-executive Director and three independent non-executive Directors. As the number of independent non-executive Directors represents one-third of the Board, the Company has complied with the requirement under Rule 3.10A of the Listing Rules as from 29 January 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to the COVID-19 coronavirus outbreak. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The Company currently expects that the auditing process should be completed on or before 15 May 2020.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company, but have not been agreed with the Company's auditors.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This unaudited annual results announcement is published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.irasia.com/listco/hk/chinabeidahuang). The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be dispatched to the shareholders of the Company and available on the above websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Li Jiehong (Chairman) and Mr. Ke Xionghan; 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.

* *For identification purposes only*