China Beidahuang Industry Group Holdings Limited
中國北大荒產業集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00039)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2018

The board of directors (the "**Board**") of China Beidahuang Industry Group Holdings Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**") together with comparative figures. The results for the Period are unaudited, but have been reviewed by the audit committee of the Company.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**535,263**	323,406
Cost of sales		**(441,948)**	(245,974)
Gross profit		**93,315**	77,432
Other income	*4*	**24,103**	35,511
Selling and distribution expenses		**(7,681)**	(4,699)
Administrative expenses		**(61,730)**	(83,049)
Finance costs	*5*	**(31,106)**	(10,911)
Share of profit/(loss) of associates		**206**	(591)
Gain on disposal of a subsidiary		**9,547**	9,683

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
PROFIT BEFORE TAX	*6*	**26,654**	23,376
Income tax expenses	*7*	**(3,172)**	(1,303)
PROFIT FOR THE PERIOD		**23,482**	22,073
Attributable to:			
Owners of the parent		**9,040**	806
Non-controlling interests		**14,442**	21,267
		23,482	22,073
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**HK0.17 cents**	HK0.02 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**23,482**	22,073
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Release of exchange difference upon the disposal of a subsidiary	**(6,611)**	381
Exchange differences arising on translation of foreign operations	**(20,872)**	24,831
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(27,483)**	25,212
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(4,001)**	47,285
Attributable to:		
Owners of the parent	**(18,593)**	25,255
Non-controlling interests	**14,592**	22,030
	(4,001)	47,285

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2018 (Unaudited) *HK$'000***	31 December 2017 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**312,765**	325,856
Investment properties		**425,013**	412,633
Loan receivables		**134,845**	71,397
Rental deposits paid		**21,898**	21,287
Goodwill		**49,197**	95,319
Other intangible assets		**128,272**	135,700
Interests in associates	*10*	**293,684**	300,734
		1,365,674	1,362,926
CURRENT ASSETS			
Inventories		**32,528**	17,561
Trade receivables	*11*	**91,644**	78,926
Amounts due from contract customers		**–**	78,667
Loan receivables		**289,424**	291,179
Prepayments, deposits and other receivables	*12*	**588,087**	502,519
Amounts due from related parties		**–**	4,857
Financial assets at fair value through profit or loss		**29,602**	35,756
Pledged deposits		**49,764**	214,233
Cash and cash equivalents		**32,622**	66,183
		1,113,671	1,289,881
CURRENT LIABILITIES			
Trade and bills payables	*13*	**141,578**	315,144
Other payables and accruals		**81,111**	138,132
Contract liability		**117,308**	–
Bank and other borrowings		**382,978**	427,121
Amounts due to related parties		**–**	848
Tax payable		**8,186**	10,490
		731,161	891,735
NET CURRENT ASSETS		**382,510**	398,146
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,748,184**	1,761,072

	30 June 2018 (Unaudited)	31 December 2017 (Audited)
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**53,615**	51,700
Convertible bonds	**192,320**	189,436
Total non-current liabilities	**245,935**	241,136
Net assets	**1,502,249**	1,519,936
EQUITY		
Equity attributable to owners of the Company		
Share capital	**541,726**	543,426
Reserves	**899,821**	918,781
	1,441,547	1,462,207
Non-controlling interests	**60,702**	57,729
Total equity	**1,502,249**	1,519,936

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to 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.

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

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

The Group recognises revenue from the following major sources:

- Interest income earned from money lending business
- Sale and distribution of wine and liquor
- Trading of food products
- Rental income
- Sale of mineral products

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. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements except for the presentation of deposits received from customers amounting to HK$117,308,000 as at 30 June 2018 which included in "trade and other payable" is presented as "contract liabilities" on the condensed consolidated statement of financial position.

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting HKFRS 15 is as follow:

	Under HKAS18	**Reclassification**	**Under HKFRS15**
Other payables and accruals	138,132	(88,588)	49,544
Contract Liability	–	88,588	88,588

(b) *Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"*

In the current period, the Group has applied HKFRS 9 "Financial Instruments" 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, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

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) 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".

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 6-month ECL ("6m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 6 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 6m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

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 results of the assessment and the impact thereof are detailed below.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, cash and bank balances, are measured on 6m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

No intersegment sale and transfer was transacted for the six months ended 30 June 2018 and 2017.

	Wine and liquor (Unaudited) *HK$'000*	Trading of food products (Unaudited) *HK$'000*	Construction (Unaudited) *HK$'000*	Mineral Products (Unaudited) *HK$'000*	Rental (Unaudited) *HK$'000*	Money Lending (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 30 June 2018							
Segment revenue:							
Sales to external customers	**1,662**	**338,052**	**–**	**60,966**	**110,969**	**23,614**	**535,263**
Timing of revenue recognition							
At a point in time	**1,662**	**338,052**	**–**	**60,966**	**–**	**–**	**400,680**
Over time	**–**	**–**	**–**	**–**	**110,969**	**23,614**	**134,583**
	1,662	**338,052**	**–**	**60,966**	**110,969**	**23,614**	**535,263**
Other revenue	**–**	**–**	**–**	**–**	**21,591**	**–**	**21,591**
	1,662	**338,052**	**–**	**60,966**	**132,560**	**23,614**	**556,854**
Segment results	**557**	**11,860**	**–**	**7,559**	**53,007**	**17,687**	**90,670**
Reconciliation:							
Interest income							**2,499**
Unallocated other operating income							**13**
Gain on disposal of a subsidiary							**9,547**
Finance costs							**(31,106)**
Corporate and other unallocated expenses							**(44,969)**
Profit before tax							**26,654**

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

4. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Construction income	**–**	65,663
Sale of goods	**400,680**	151,490
Rental income	**110,969**	91,581
Interest income	**23,614**	14,672
	535,263	323,406
Other income		
Compensation income	**3,132**	9,477
Bank interest income	**2,499**	73
Gain on bargain purchase	**–**	613
Valuation gain on investment properties	**18,459**	22,183
Others	**13**	3,165
	24,103	35,511

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**18,304**	8,434
Imputed financial cost on convertible bonds	**12,802**	2,477
	31,106	10,911

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**379,703**	131,493
Depreciation	**7,864**	2,045
Equity-settled share option expense	**3,259**	28,344
Amortisation of other intangible assets	**5,872**	5,440

7. INCOME TAX EXPENSES

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current	**483**	247
Deferred	**2,689**	1,056
Total tax expenses for the period	**3,172**	1,303

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2018 (2017: Nil).

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

(a) Basic

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(HK$'000)*	**9,040**	806
Weighted average number of ordinary shares in issue *('000)*	**5,426,181**	5,058,463
Basic earnings per share *(HK cents)*	**0.17**	0.02

(b) Diluted

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

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**5,426,181**	5,058,463
Effect of dilutive potential ordinary shares	**–**	3,369
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,426,181**	5,061,832

	2018	2017
	(Unaudited)	(Unaudited)
Earnings per share – diluted *(HK cents)*	**0.17**	0.02

10. INTERESTS IN ASSOCIATES

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Share of net assets	**293,684**	300,734
	293,684	300,734

11. TRADE RECEIVABLES

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

None of the trade receivables is impaired. Receivables over 3 months were mainly related to a number of independent customers from the sales of mineral products. The directors of the company are of the opinion that no provision for impairment is necessary as the credit quality of these customers are strong and the balances are still considered fully recoverable. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within 1 month	**65,554**	55,639
1 to 2 months	**7,150**	7,227
2 to 3 months	**2,407**	2,056
Over 3 months	**16,533**	14,004
	91,644	78,926

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Prepayments	**234,023**	166,917
Deposits and other receivables	**354,064**	335,602
	588,087	502,519

As at 30 June 2018, approximately HK$253,988,000 (2017: HK$219,289,000) was paid as trade deposit and prepayments on trading of food and minerals products.

Rental deposits and construction deposit for the warehouse amounting to HK$51,927,000 (31 December 2017: HK$33,097,000) and HK$25,676,000 (31 December 2017: HK$12,581,000) were paid for the warehouse logistic and rental business respectively.

Approximately HK$66,854,000 (31 December 2017: HK$67,740,000) were the progress payment for the investment targets.

At the end of the reporting period, there was no provision for other receivables (31 December 2017: Nil).

13. TRADE AND BILLS PAYABLES

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

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within 1 month	**31,975**	86,774
1 to 2 months	**448**	2,976
2 to 3 months	**569**	695
Over 3 months	**988**	1,249
	33,980	91,694
Bills payables	**107,598**	223,450
	141,578	315,144

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

As at 30 June 2018, bills payables of approximately HK$107,598,000 (2017: HK$223,450,000) were secured by the pledged deposits of the Group and repayable on July 2018 and June 2019.

All the trade payables are denominated in Renminbi.

14. DISPOSAL OF A SUBSIDIARY

On 27 April 2018, the Group entered into a sale and purchase agreement to disposal of its 100% equity interest in Fujian Fang Run Construction Company Group Limited (FJFR) to an independent tird party (the "Purchaser") for cash consideration of RMB50,000,000 (equivalent to approximately HK$61,950,000). The disposal was completed on 4 May 2018.

Summary of the effects of the disposal is as follows:

Consideration:	**Acquiree's carrying amount and fair value** *HK$'000*
Total consideration	61,950
Analysis of assets and liabilities over which control was lost	
Non-current assets	
Goodwill	46,920
Property, plant and equipment	8,699
Current assets	
Amounts due from contract customers	78,667
Other receivables	24,946
Cash	2,612
Current liabilities	
Trade payables	(77,074)
Other payables	(12,406)
Tax payables	(1,731)
Net assets disposed	70,633
Release of exchange difference upon disposal	(6,611)
Release of non-controlling interests ("NCI") upon disposal	(11,619)
	52,403

Gain on disposal of a subsidiary

	2018 *HK$'000*
Consideration received	**61,950**
Net assets disposed	**(70,633)**
Release of exchange difference upon disposal	**6,611**
Release of NCI upon disposal	**11,619**
Gain on disposal	**9,547**

Net cash inflow from disposal of a subsidiary

	2018
Consideration received in cash and bank balance	**61,950**
Less: cash and bank balance disposed of	**(2,612)**
	59,338

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the Period, the Group achieved a revenue of approximately HK$535.3 million (2017: HK$323.4 million), representing an increase of 65.5% when compared with the corresponding period last year. Gross profit of the Group was approximately HK$93.3 million (2017: HK$77.4 million). The profit (net of taxation) was HK$23.5 million (2017: HK$22.1 million).

Profit attributable to owners of the parent was approximately HK$9.0 million (2017: HK$0.8 million). Earnings per share for the Period was HK0.17 cents (2017: HK0.02 cents).

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

Segmental Information

Wine and Liquor Business

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

During the Period, the wine and liquor business recorded a revenue of approximately HK$1.7 million (2017: HK$22.5 million), down 92.6% when compared with the corresponding period last year and accounted for 0.3% (2017: 7.0%) 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

The trading of food products business recorded a revenue of approximately HK$338.1 million (2017: HK$113.0 million) and accounted for 63.2% (2017: 34.9%) of the total revenue. The revenue increased because the Group had sufficient working capital to increase the trading volume. The business is one of the Group's core businesses and the Group expects it to have further growth in the future.

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK$111.0 million (2017: HK$91.6 million) and accounted for 20.7% (2017: 28.4%) of the total revenue. The revenue of this segment remained stable as the logistic and office facilities were able to maintain high occupancy rate.

Money Lending Business

The money lending business recorded a revenue of HK$23.6 million (2017: HK$14.7 million), accounting for 4.4% (2017: 4.5%) of the total revenue. The increase was because more funds were allocated to this business segment. Through acquisition of different businesses in the past few years, the business network of the Group has been widened. From the expanded network, the Group identified some reliable business partners which expressed to have financial needs and borrowed money from the Group on normal commercial terms. Therefore, the revenue from money lending business recorded a satisfactory growth during the Period.

Construction 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$65.7 million) and accounted for 0% (2017: 20.3%) of the total revenue from the execution of the contractual works contemplated under the PPP projects and the provision of on-going maintenance services in relation to the PPP projects during the Period. Although the business declined, the Group would continue to search for suitable PPP projects in the coming years.

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$61.0 million (2017: 16.0 million) and accounted for 11.4% (2017: 4.9%) of the total revenue. The Group acquired this business last year and expects to allocate more resources to develop this segment in the future. The Group expects the market of this business will remain fine and the income contributed by this segment will represent a larger portion of the Group's revenue.

Financial Review

For the Period, the Group achieved a revenue of approximately HK$535.3 million (2017: HK$323.4 million), representing an increase of 65.5% when compared with the corresponding period last year.

Gross profit of the Group was approximately HK$93.3 million (2017: HK$77.4 million). The profit (net of taxation) was approximately HK$23.5 million (2017: HK$22.1 million). Profit attributable to owners of the parent was approximately HK$9.0 million (2017: HK$0.8 million). Earnings per share for the Period was HK0.17 cents (2017: HK0.02 cents).

Selling and distribution expenses were approximately HK$7.7 million (2017: HK$4.7 million), representing an increase of 63.8% when compared with the corresponding period last year and 1.4% (2017: 1.5%) of the Group's revenue.

Administrative expenses were approximately HK$61.7 million (2017: HK$83.0 million), representing a decrease of 25.7% when compared with the corresponding period last year. The decrease was due to the reduction in the equity-settled share option expenses amounting to HK$3.26 million (2017: HK$28.3 million) and the relevant costs incurred for disposal of the subsidiaries.

Finance costs were approximately HK$31.1 million (2017: HK$10.9 million), representing an increase of 185.1% when compared with the corresponding period last year. The increase was because convertible bonds were issued and more bank loans were drawn down in last year. The interests were incurred for the whole Period which led to increase in interest expenses.

Disposal of a Subsidiary

On 27 April 2018, 深圳市鵬達融通商貿有限公司 (Shenzhen Pengda Rongtong Trading Limited*) ("**Vendor**"), an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement, pursuant to which the Vendor 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, the Vendor 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.

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*, "**CECTChinacomm**"), a company incorporated in the PRC with limited liability. CECT-Chinacomm and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons. CECT-Chinacomm has the development right in respect of a parcel of land in the Beijing Economic and Technological Development Area and will construct a project known as Beijing Wireless Broadband Industrial Park (the "**Project**") on the parcel of land. An indirect subsidiary of CECT-Chinacomm is appointed as the operating company of the Project, and has legally obtained the Land Use Right Certificate, the Planning Permit and the Construction Land Use Permit. The co-operation is still in the discussion stage and no formal agreement has been entered into by the parties as at the date of this announcement. The Board expects that the Company will be able to join CECTChinacomm 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 subprojects, 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.

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 Period, Company A has obtained the Land Planning Permit and the Construction Planning Permit for the "Seafood Food City". It is expected that the construction of the Seafood Food City on the Land Parcel will be completed on or before 19 March 2021.

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

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 will 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 will conduct and the Vendor will provide assistance to the Company to conduct due diligence exercise on the Target Companies and their business and affairs. The Vendor has undertaken that during the Relevant Period, it will 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.

(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**") 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 proceeds and may be completed according to the terms therein, the Company will hold 51% of the enlarged registered capital of the Target Company. The Existing Shareholders shall not participate in this capital increase in the Target Company.

The Target Company is an international leading producer of nutrition fodder. It possesses world-class animal nutrition core technologies and provides integrated customized solution for nurturing piglets to become fattening pigs for sales. The Target Company also has wide networks and contacts of various platforms relating to live-pig quality and safety supervision models and live-pig trading chains.

The Company has continuously been expanding its trading of food products business. The Company has also commenced commodity hog trading business in the PRC last year to enrich its trading of food products business. The Directors believe that the Transaction provides an excellent opportunity for the Company to acquire the leading proven nutrition fodder technologies which can improve the quality and hence the market price of the commodity hog traded by the Company.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

During the Period, the total number of issued shares of the Company decreased to 5,417,258,084 shares as a result of the cancellation of 17,000,000 repurchased shares. As at 30 June 2018, the Group had net assets to owners of the parent of approximately HK$1,441.55 million (31 December 2017: HK$1,462.21 million). Net current assets of the Group as at 30 June 2018 amounted to approximately HK$382.51 million (31 December 2017: HK$398.15million).

The Group's unpledged cash and cash equivalents as at 30 June 2018 amounted to approximately HK$32.62 million (31 December 2017: HK$66.18 million), which were denominated in both Hong Kong dollars and Renminbi, and the Group's pledged deposit as at 30 June 2018 amounted to approximately HK$49.76 million (31 December 2017: HK$214.23 million).

As at 30 June 2018, the Group had current assets of approximately HK$1,113.67 million (31 December 2017: approximately HK$1,289.88 million) and current liabilities of approximately HK$731.16 million (31 December 2017: HK$891.74 million). The current ratio (calculated as current assets to current liabilities) increased from 1.45 as at 31 December 2017 to 1.52 as at 30 June 2018.

As at 30 June 2018, the Group's total borrowings amounted to approximately HK$575.30 million (31 December 2017: HK$616.56 million). The Group's borrowings included bank loans of approximately HK$97.91 million (31 December 2017: HK$196.20 million), other borrowings of approximately HK$50.70 million (31 December 2017: HK$51.93 million), bonds of approximately HK$234.37 million (31 December 2017: HK$179.00 million) and convertible bonds with carrying value of approximately HK$192.32 million (31 December 2017: HK$189.44 million). The gearing ratio of the Group as at 30 June 2018, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 37.98% (31 December 2017: 40.72%).

These ratios were at reasonably adequate levels as at 30 June 2018. Having considered the Group's current cash and cash equivalents, bank and other borrowings and banking facilities, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Period. The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact on the Group's results and net asset value as the Group's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

CHARGE ON ASSETS AND CONTINGENT LIABILITIES

As at 30 June 2018, HK$49.76 million was pledged to banks to secure the Group's bills payable (31 December 2017: HK$214.23 million).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group had approximately 156 (30 June 2017: 164) employees in Hong Kong and the PRC with total staff costs amounted to approximately HK$10.49 million (30 June 2017: HK$22.02 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications.

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

LITIGATION

On 18 August 2015, the Company received a writ of summons issued by the Registry of the High Court of Hong Kong (the "**Writ**") relating to the claim by Mr. Qu Shuncai ("**Mr. Qu**"),a former director. Pursuant to the Writ, Mr. Qu, as the plaintiff of the claim, claims against the Company for the sum of HK$6,069,000 being damages for the Company's wrongful refusal of the issue of 2,500,000 shares of the Company to him upon exercise of the share options of the Company by Mr. Qu. The submission of the Writ has been completed against the proceedings for the above case and has 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, parties have made a joint application to amend their own pleadings, pending the court's approval of its consent order. It is expected that there will be another case management hearing on or around 6 December 2018. 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**").

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, the Company repurchased a total of 8,000,000 shares of the Company on the Stock Exchange at an aggregate consideration of approximately HK$2,551,560. None of the repurchased shares were cancelled during the Period. However, the Company cancelled 17,000,000 shares repurchased on 12 December 2017 and 13 December 2017 during the Period and the number of issued shares of the Company was reduced accordingly. The details of the repurchased shares are as follows:

Month	Total number of shares repurchased	Purchase price per share		Aggregate consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
May 2018	8,000,000	0.320	0.310	2,551,560
Total	8,000,000			2,551,560

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2018.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2018 have been reviewed by the audit committee of the Company, which comprises three independent non-executive directors, namely Dr. Loke Yu, Mr. Ho Man Fai and Mr. Yang Yunguang.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code on ethics and securities transactions (the "**Code**"), which incorporates a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. Specified employees who are likely to be in possession of unpublished inside information of the Company are also subject to the compliance with the Code. Having made specific enquiry of all directors, the Company confirms that the directors have complied with the required standard set out in the Code and the Model Code throughout the six months ended 30 June 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2018, save as disclosed as follows.

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

EVENTS AFTER THE REPORTING PERIOD

There is no material event after reporting period and up to the date of this announcement.

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

Hong Kong, 24 August 2018

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Ke Xionghan, Mr. Zeng Fanxiong and Mr. Huang Wuguang; the Non-executive Directors are Ms. Ho Wing Yan and Mr. Wang Jianguo; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Ho Man Fai and Mr. Yang Yunguang.

* *For identification purposes only*