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 2019

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 2019 (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	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**294,755**	535,263
Cost of sales		**(238,236)**	(441,948)
Gross profit		**56,519**	93,315
Other income	*4*	**12,988**	24,103
Selling and distribution expenses		**(7,646)**	(7,681)
Administrative expenses		**(42,514)**	(61,730)
Finance costs	*5*	**(22,903)**	(31,106)
Share of (loss)/profit of associates		**(1,306)**	206
Gain on disposal of a subsidiary	*16*	**2,490**	9,547

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
(LOSS)/PROFIT BEFORE TAX	*6*	**(2,372)**	26,654
Income tax credit/(expenses)	*7*	**2,954**	(3,172)
PROFIT FOR THE PERIOD		**582**	23,482
Attributable to:			
Owners of the parent		**1,568**	9,040
Non-controlling interests		**(986)**	14,442
		582	23,482
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**HK0.03 cents**	HK0.17 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**582**	23,482
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Release of exchange difference upon the disposal of a subsidiary	**825**	(6,611)
Exchange differences arising on translation of foreign operations	**(368)**	(20,872)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**457**	(27,483)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**1,039**	(4,001)
Attributable to:		
Owners of the parent	**1,496**	(18,593)
Non-controlling interests	**(457)**	14,592
	1,039	(4,001)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**345,585**	321,173
Investment properties		**397,925**	398,065
Right-of-use assets		**1,060,285**	–
Rental deposits paid		**26,940**	30,413
Goodwill		**47,266**	47,266
Other intangible assets		**112,334**	123,495
Interests in associates	*10*	**275,516**	286,450
		2,265,851	1,206,862
CURRENT ASSETS			
Inventories		**61,001**	57,169
Trade receivables	*11*	**129,016**	130,862
Loan receivables		**262,119**	376,429
Prepayments, deposits and other receivables	*12*	**736,580**	628,431
Financial assets at fair value through profit or loss		**27,346**	27,355
Pledged deposits		**23,837**	83,584
Cash and cash equivalents		**26,975**	37,277
		1,266,874	1,341,107
CURRENT LIABILITIES			
Trade and bills payables	*13*	**120,719**	244,915
Other payables and accruals		**124,790**	142,628
Lease liabilities		**154,216**	–
Contract liabilities		**55,109**	51,471
Bank and other borrowings	*14*	**285,674**	333,424
Convertible bonds	*15*	**200,000**	195,378
Amount due to related party		**25,482**	12,655
Bank overdraft		**–**	5,032
Tax payable		**3,121**	3,032
		969,111	988,535
NET CURRENT ASSETS		**297,763**	352,572
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,563,614**	1,559,434

	30 June 2019 (Unaudited) *HK$'000*	31 December 2018 (Audited) *HK$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**44,185**	47,445
Lease liabilities	**896,562**	–
Total non-current liabilities	**940,747**	47,445
Net assets	**1,622,867**	1,511,989
EQUITY		
Equity attributable to owners of the Company		
Share capital	**622,513**	561,726
Reserves	**948,972**	897,283
	1,571,485	1,459,009
Non-controlling interests	**51,382**	52,980
Total equity	**1,622,867**	1,511,989

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 2019 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 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HKFRIC-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

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.

HKFRS 16 Leases

The Group leases various offices. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset' s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including insubstance fixed payments).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located.

The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application without restating comparative information.

New and revised HKFRS in issue but not yet effect

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

HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

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

[2] *Effective for business combination and asset acquisition 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 financial leasing segment is engaged in the provision of financial leasing services;

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

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

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 2019 and 2018.

	Wine and liquor (Unaudited) *HK$'000*	Trading of food products (Unaudited) *HK$'000*	Mineral products (Unaudited) *HK$'000*	Rental (Unaudited) *HK$'000*	Financial leasing (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Six months ended 30 June 2019						
Segment revenue:						
Sales to external customers	**1,064**	**100,282**	**68,462**	**120,480**	**4,467**	**294,755**
Timing of revenue recognition						
At a point in time	**1,064**	**100,282**	**68,462**	**–**	**–**	**169,808**
Over time	**–**	**–**	**–**	**120,480**	**4,467**	**124,947**
	1,064	**100,282**	**68,462**	**120,480**	**4,467**	**294,755**
Other revenue	**–**	**–**	**–**	**11,479**	**–**	**11,479**
	1,064	**100,282**	**68,462**	**131,959**	**4,467**	**306,234**
Segment results	**337**	**2,359**	**8,417**	**23,611**	**2,753**	**37,477**
Reconciliation:						
Interest income						**698**
Unallocated other operating income						**811**
Gain on disposal of a subsidiary						**2,490**
Finance costs						**(22,903)**
Corporate and other unallocated expenses						**(20,945)**
Loss before tax						**(2,372)**

	Wine and liquor (Unaudited) *HK$'000*	Trading of food products (Unaudited) *HK$'000*	Mineral Products (Unaudited) *HK$'000*	Rental (Unaudited) *HK$'000*	Financial leasing (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

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with Customers		
Wine and liquor	**1,064**	1,662
Trading of food products	**100,282**	338,052
Mineral products	**68,462**	60,966
Total revenue recognised at point in time	**169,808**	400,680
Revenue from other sources		
Rental	**120,480**	110,969
Financial leasing	**4,467**	23,614
	294,755	535,263
Other income		
Compensation income	**11,479**	3,132
Bank interest income	**698**	2,499
Valuation gain on investment properties	**–**	18,459
Others	**811**	13
	12,988	24,103

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and other loans wholly repayable within five years	**9,817**	18,304
Interest on lease liabilities	**1,563**	–
Imputed financial cost on convertible bonds	**11,523**	12,802
	22,903	31,106

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**142,901**	379,703
Depreciation of property, plant and equipment	**7,847**	7,864
Depreciation of right-of-use assets	**3,178**	–
Equity-settled share option expense	**–**	3,259
Amortisation of other intangible assets	**5,486**	5,872

7. INCOME TAX (CREDIT)/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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current	**302**	483
Deferred	**(3,256)**	2,689
Total tax (credit)/expenses for the period	**(2,954)**	3,172

8. DIVIDENDS

The directors do not recommend the payment of any dividend for the six months ended 30 June 2019 (2018: 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	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company *(HK$'000)*	**1,568**	9,040
Weighted average number of ordinary shares in issue *('000)*	**5,890,531**	5,426,181
Basic earnings per share *(HK cents)*	**0.03**	0.17

(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:

	2019	2018
	'000	*'000*
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**5,890,531**	5,426,181
Effect of dilutive potential ordinary shares	**–**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,890,531**	5,426,181

	2019	2018
	(Unaudited)	(Unaudited)
Earnings per share – diluted *(HK cents)*	**0.03**	0.17

10. INTERESTS IN ASSOCIATES

	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Share of net assets	**275,516**	286,450

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 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Within 1 month	**24,950**	28,622
1 to 2 months	**78,679**	65,795
2 to 3 months	**18,233**	25,787
Over 3 months	**9,752**	13,256
	131,614	133,460
Less: Allowance for expected credit losses	**(2,598)**	(2,598)
	129,016	130,862

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Prepayments	**177,285**	149,078
Deposits and other receivables	**565,953**	486,011
	743,238	635,089
Less: Allowance for expected credit losses	**(6,658)**	(6,658)
	736,580	628,431

As at 30 June 2018, approximately HK$268,111,000 (2018: HK$199,180,000) 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$82,071,000 (31 December 2018: HK$79,381,000) and HK$79,511,000 (31 December 2018: HK$64,341,000) were paid for the warehouse logistic and rental business respectively.

Approximately HK$51,452,000 (31 December 2018: HK$48,593,000) were the progress payment for the investment targets.

At the end of the reporting period, there was no allowance for expected credit losses for other receivables (31 December 2018: HK$6,658,000).

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 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
Within 1 month	**29,409**	39,385
1 to 2 months	**24,815**	29,780
2 to 3 months	**8,338**	9,134
Over 3 months	**307**	395
	62,869	78,694
Bills payables	**57,850**	166,221
	120,719	244,915

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

As at 30 June 2019, bills payables of approximately HK$57,850,000 (2018: HK$166,221,000) were secured by the pledged deposits of the Group.

All the trade payables are denominated in Renminbi.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
Secured bank loans	**25,555**	69,449
Secured other loans	**23,692**	22,485
Unsecured other loans	**62,304**	48,587
Secured bonds	**174,123**	192,903
	285,674	333,424
Carrying amounts repayable within one year based on scheduled payment dates set out in the agreement	**285,674**	333,424
Carrying amounts not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	–
	285,674	333,424
Less: amount due within one year shown under current liabilities	**(285,674)**	(333,424)
Amounts shown under non-current liabilities	**–**	–

15. CONVERTIBLE BONDS

The convertible bonds were mature at the date of this announcement and the Company is negotiating with the holders of the convertible bonds for further extension of the convertible bonds.

16. DISPOSAL OF A SUBSIDIARY

(a) On 20 May 2019, the Group entered into a sale and purchase agreement to disposal of its 60% equity interest in Zhongshan Jiangluo Industrial Co., Limited to an independent third party (the "**Purchaser**") for cash consideration of RMB59,500,000 (equivalent to approximately HK$67,717,000). The disposal was completed on 23 May 2019.

Summary of the effects of the disposal is as follows:

	Acquiree's carrying amount and fair value
Consideration:	*HK$'000*
Total consideration	67,717
Analysis of assets and liabilities over which control was lost	
Current assets	
Other receivables	79,231
Cash and cash equivalents	4
Current liabilities	
Other payables	(13,692)
Net assets disposed	65,543
Release of exchange difference upon disposal	825
Release of non-controlling interests ("**NCI**") upon disposal	(1,141)
	65,227

Gain on disposal of a subsidiary

	2019
	HK$'000
Consideration received	67,717
Net assets disposed	(65,543)
Release of exchange difference upon disposal	(825)
Release of NCI upon disposal	1,141
Gain on disposal	2,490

Net cash inflow from disposal of a subsidiary

	2019
	HK$'000
Consideration received in cash and cash equivalents	67,717
Less: cash and cash equivalents disposed of	(4)
	67,713

(b) 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 third 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's revenue amounted to approximately HK$294.8 million (2018: HK$535.3 million), representing a decrease of 44.9% over corresponding period last year. Gross profit of the Group was approximately HK$56.5 million (2018: HK$93.3 million). The profit (net of tax) was approximately HK$582,000 (2018: HK$23.5 million).

Profit attributable to owners of the parent was approximately HK$1.6 million (2018: HK$9.0 million). Earnings per share for the Period was HK0.03 cents (2018: HK0.17 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 Period, the wine and liquor business recorded a revenue of approximately HK$1.1 million (2018: HK$1.7 million) as the Group focused less on this business segment but will keep on exploring other potential business segments. Gross profit of this business segment for the Period was approximately HK$0.1 million (2018: HK$0.2 million).

Trading of Food Products Business

Trading of food products business recorded a revenue of approximately HK$100.3 million (2018: HK$338.1 million), accounted for 34.0% (2018: 63.2%) of the total revenue. Gross profit of this business segment for the Period was approximately HK$3.8 million (2018: HK$11.9 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.

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK$120.5 million (2018: HK$111.0 million), accounted for 40.9% of the total revenue. Gross profit of this business segment for the Period was approximately HK$28.1 million (2018: HK$49.9 million). After few years of development, this segment has become one of the core businesses of the Group. The Group invested more funds in renting facilities which led to the satisfactory increase in revenue in this segment. The Group will keep on exploring and investing in potential renting facilities.

Financial Leasing Business

The financial leasing business recorded a revenue of HK$4.5 million (2018: HK$23.6 million), accounted for 1.5% (2018: 4.4%) 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 Period was approximately HK$4.5 million (2018: HK$21.0 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$68.4 million (2018: HK$61.0 million) and accounted for 23.2% (2018: 11.4%) of the total revenue. The Group acquired this business since 2017 and is expected to spend more resources to develop this segment. The Group expects the market of this business will remain fine and the revenue contributed by this segment will represent a larger portion of the Group’s revenue. Gross profit of this business segment for the Period was approximately HK$20.0 million (2018: HK$10.3 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 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 on 23 May 2019, the Group ceased to have any equity interest in 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 business.

Memorandum of Understanding

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

(ii) On 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.

(iii) 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 regarding the Company's possible acquisition of shares in Cellvax. 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.

(iv) 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. According to AHC, it is principally engaged in cultivation, production, harvesting and the pursuit of processing hemp in the province of Alberta, Canada.

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.

Business Co-operation

(i) 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.

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

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

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

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

The Directors believe the above agreements facilitate 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.

(iii) 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.

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.

(iv) 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.

(v) 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.

Financial Review

Revenue

During the Period, the Group achieved a revenue of approximately HK$294.8 million (2018: HK$535.3 million), representing a decrease of 44.9% with corresponding period last year. Gross profit of the Group was approximately HK$56.5 million (2018: HK$93.3 million). The profit (net of tax) was approximately HK$582,000 (2018: HK$23.5 million).

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK$7.6 million (2018: HK$7.7 million), representing a decrease of 1.3% when compared with corresponding period last year and 2.6% (2018: 1.4%) of the Group's revenue.

Administrative Expenses

Administrative expenses were approximately HK$42.5 million (2018: HK$61.7 million), representing a decrease of 31.1% when compared with the corresponding period last year. The decrease was mainly due to the decline of the business of commodity hog trading. Also, the Group continue to control the cost through simplify and combine the structure of the companies of similar business.

Finance Costs

Finance costs were approximately HK$22.9 million (2018: HK$31.1 million), representing a decrease of 26.4% when compared with the corresponding period last year. The decrease in finance cost was mainly due to the decrease in the bank and other borrowing and decrease in bills payables.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK$268.11 million (2018: HK$199.18 million) paid for food products and mineral products. The amounts of approximately HK$51.45 million (2018: HK$48.59 million) were the progress payments for the investment targets. HK$82.07 million (2018: HK$79.39 million) was paid as rental deposit for the rental business and HK$79.51 million (2018: HK$64.34 million) was paid as deposit for the new warehouse construction.

Capital Structure, Liquidity and Financial Resources

During the Period, 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 Period. 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 30 June 2019.

As at 30 June 2019, the Group had net assets to owners of the parent of approximately HK$1,571.49 million (31 December 2018: HK$1,459.01 million). Net current assets of the Group as at 30 June 2019 amounted to approximately HK$297.76 million (31 December 2018: HK$352.57 million). The current ratio (calculated as current assets to current liabilities) for the Period was 1.31 (31 December 2018: 1.36).

The Group's unpledged cash and cash equivalents as at 30 June 2019 amounted to approximately HK$26.98 million (31 December 2018: HK$37.28 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposit as at 30 June 2019 amounted to approximately HK$23.84 million (31 December 2018: HK$83.58 million).

As at 30 June 2019, the Group's total borrowings amounted to approximately HK$455.67 million (30 June 2019: HK$533.83 million). All of the Group's borrowings were denominated in Renminbi and Hong Kong dollars. Included in the borrowings, there are the amount of HK$177.9 million secured bonds and HK$200 million convertible bonds expired as at 30 June 2019, and HK$18 million secured bonds expired after the end of the reporting period and up to the date of this announcement. The Company keeps negotiating with the bond holders for extension of repayment period and is confident to settle all the debts shortly.

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 30 June 2019 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 30.99% (31 December 2018: 37.21%). The ratio was at reasonably adequate level as at 30 June 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**"). It is expected that the New CB can be issued between September and October 2019. Besides, a bank in the PRC ("**PRC Banker**") has agreed to grant a banking facility amounted to RMB160 million to a subsidiary of the Company in PRC on 20 June 2019. The subsidiary has submitted formal application for the release of the facility by the PRC Banker and as at the date of this announcement, the application is still in progress. As disclosed in paragraph (iii) in the section headed "Business Co-operation", the commercial housing pre-sale permit of phase one of the Seafood Food City ("**Seafood Phase One Houses**") was obtained. It is expected the Group would fetch the amount of RMB100 million from the sale of the Seafood Phase One Houses during the second half of the year. 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 Period.

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 30 June 2019, HK$23.84 million was pledged to banks to secure the Group's bills payable (31 December 2018: HK$83.58 million).

The shares of two subsidiaries of the Company with net assets of HK$28 million were pledged to secured a bond in the principal amount of HK$123 million in August 2017. As the secured bond was expired, the bond holder has the right to take over the control of the two subsidiaries. The Company is in negotiation with the bond holder for extension of repayment of the bond and as at the date of this announcement, the two subsidiaries are still under the control of the Company.

Use of Proceeds arising from Subscription of New Shares under General Mandate

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

The Subscription was completed on 11 September 2018 and the Company issued 200,000,000 subscription shares to the subscribers. The aggregate proceeds from the Subscription amounted to HK$60.0 million, and the net proceeds from the Subscription was approximately HK$59.9 million after deducting all the professional fees incurred in the Subscription.

The Company had fully utilized the net proceeds as intended, of which approximately HK$24 million (40%) were utilized for repayment of secured bonds, approximately HK$18 million (30%) for investments, approximately HK$12 million (20%) for business development in rental business and approximately HK$5.9 million (10%) for general working capital.

Details of the Subscription were set out in the announcements of the Company dated 27 August 2018 and 11 September 2018.

(ii) 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 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, and the net proceeds from the Subscription was approximately HK$114.6 million after deducting all the professional fees incurred in the Subscription.

The Company had fully utilized the net proceeds, of which approximately HK$109 million (95%) were utilized for repayment of secured bank loan and bonds, and approximately HK$5.6 million (5%) 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.

Employees and Remuneration Policy

As at 30 June 2019, the Group had approximately 165 (30 June 2018: 156) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK$8.27 million (30 June 2018: HK$10.49 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.

Litigation

(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 18 September 2019. 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.

(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. The Petition will be heard at the High Court on 9 October 2019. 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.

(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.

(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 Originating Summons will be heard before the High Court Judge on 15 October 2019.

(v) 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 will be heard on 18 October 2019. The maximum claim is RMB20 million. After obtaining PRC legal advice, the Company believes that the probability of compensation being payable is low.

INTERIM DIVIDEND

The Board resolved not to declare the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

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 six months ended 30 June 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.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2019 have been reviewed by the audit committee of the Company, which comprises three independent non-executive directors, namely Mr. Chong Cha Hwa, 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**") of 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 2019.

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 2019, save as disclosed as follows.

Deviation from Code Provision A.2.1 of the CG Code

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. Li Jiehong, 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.

Deviation from Code Provision E.1.2 of the CG Code

In respect of code provision E.1.2 of the CG Code, 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

In respect of code provision E.1.5 of the CG Code, 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

Following the resignation of Mr. Zhang Xianming as an independent non-executive director of the Company on 3 January 2019, the Company failed to meet the requirement under Rule 3.10A of the Listing Rules that independent non-executive directors represent at least one-third of the Board.

On 29 January 2019, Mr. Zeng Fanxiong resigned as an executive director of the Company and Mr. Wang Jianguo resigned as a non-executive director of the Company. Following these resignations, the number of independent non-executive directors of the Company represents one-third of the Board and the Company has complied with the requirement under Rule 3.10A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed in the Management Discussion and Analysis of this announcement, 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
Li Jiehong
Chairman

Hong Kong, 30 August 2019

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

* *For identification purposes only*