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

ANNOUNCEMENT OF INTERIM RESULTS FOR 2020

The board (the “**Board**”) of directors (the “**Directors**”) 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 2020 (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

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
		HK\$’000	HK\$’000
REVENUE	4	387,346	294,755
Cost of sales		(314,733)	(238,236)
Gross profit		72,613	56,519
Other income, gains or losses	4	27,669	12,988
Selling and distribution expenses		(7,004)	(7,646)
Administrative expenses		(39,085)	(42,514)
Finance costs	5	(50,503)	(22,903)
Share of loss of associates		(2,874)	(1,306)
Gain on disposal of a subsidiary		–	2,490

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT/(LOSS) BEFORE TAX	<i>6</i>	816	(2,372)
Income tax credit	<i>7</i>	<u>1,226</u>	<u>2,954</u>
PROFIT FOR THE PERIOD		<u>2,042</u>	<u>582</u>
Attributable to:			
Owners of the parent		8,103	1,568
Non-controlling interests		<u>(6,061)</u>	<u>(986)</u>
		<u>2,042</u>	<u>582</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>9</i>	<u>HK0.14 cents</u>	<u>HK0.03 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>2,042</u>	<u>582</u>
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss:		
Release of exchange difference upon the disposal of a subsidiary	–	825
Exchange differences arising on translation of foreign operations and associates	<u>(9,955)</u>	<u>(368)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(9,955)</u>	<u>457</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(7,913)</u></u>	<u><u>1,039</u></u>
Attributable to:		
Owners of the parent	(2,793)	1,496
Non-controlling interests	<u>(5,120)</u>	<u>(457)</u>
	<u><u>(7,913)</u></u>	<u><u>1,039</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		69,178	75,010
Investment properties		388,118	395,602
Right-of-use assets		665,809	748,469
Rental deposits paid		3,438	10,263
Goodwill		33,983	34,646
Other intangible assets		56,552	62,990
Interests in associates	10	268,286	278,734
		1,485,364	1,605,714
CURRENT ASSETS			
Inventories		33,033	48,393
Properties for sale		220,474	202,813
Trade receivables	11	107,771	96,681
Loan receivables		352,661	360,038
Prepayments, deposits and other receivables	12	578,740	537,387
Financial assets at fair value through profit or loss		53,398	33,857
Pledged deposits		29,492	47,777
Cash and cash equivalents		51,842	79,995
		1,427,411	1,406,941
CURRENT LIABILITIES			
Trade and bills payables	13	173,393	173,506
Other payables and accruals		155,310	172,324
Contract liabilities		110,092	85,200
Bank and other borrowings	14	512,231	541,962
Amount due to related party		7,602	6,639
Tax payable		1,959	1,823
Lease liabilities		97,272	105,289
		1,057,859	1,086,743
NET CURRENT ASSETS		369,552	320,198
TOTAL ASSETS LESS CURRENT LIABILITIES		1,854,916	1,925,912

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	41,131	43,896
Lease liabilities	592,442	652,760
	<hr/>	<hr/>
Total non-current liabilities	633,573	696,656
	<hr/>	<hr/>
Net assets	1,221,343	1,229,256
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	622,513	622,513
Reserves	604,031	606,824
	<hr/>	<hr/>
	1,226,544	1,229,337
Non-controlling interests	(5,201)	(81)
	<hr/>	<hr/>
Total equity	1,221,343	1,229,256
	<hr/> <hr/>	<hr/> <hr/>

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 2020 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 2019.

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.

Going concern basis

For the Period, the Group recorded a consolidated net profit of approximately HK\$2,042,000. As at 30 June 2020, the Group’s total bank and other borrowings amounted to approximately HK\$512.23 million. Included in bank and other borrowings, default payment for other borrowing of approximately HK\$238,807,000 including the additional interest and penalty.

However, the Group’s cash and cash equivalents of approximately HK\$51,842,000 and the financial resources available to the Group as at 30 June 2020 may not be sufficient to repay the default payment. In preparing the interim condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the interim condensed consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1) Existing business

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

2) New banking facilities

As at 30 June 2020, the Group had unutilised bank facilities of RMB40,000,000 (approximately HK\$43,860,000) from a bank in the People’s Republic of China (“PRC”).

3) *Negotiating with creditors' new terms of other borrowings*

The Group is negotiating with secured bondholder to extend the default secured bond. In the opinion of the Directors, the default secured bond will not be recalled until agreeing the new terms by the Group and the secured bondholder.

4) *Financial support*

A substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Group so as to enable it to meet its liabilities when they fall due and carry on its business without a significant curtailment of operations in the twelve months from 30 June 2020.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the interim condensed consolidated financial statements.

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 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

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

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after 1 January 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payment are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. OPERATING SEGMENT INFORMATION

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

- (a) the wine and liquor segment is engaged in the sale and distribution of wine and liquor;
- (b) the trading of food products segment is engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food, commodity hog;
- (c) the construction and development segment is engaged in construction and land development;
- (d) the financial leasing segment is engaged in the provision of financial leasing services;
- (e) the mineral products segment is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products; and
- (f) 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 2020 and 2019.

	Wine and liquor (Unaudited) HK\$'000	Trading of food products (Unaudited) HK\$'000	Construction and development (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 2020							
Segment revenue:							
Sales to external customers	-	181,281	-	81,243	114,421	10,401	387,346
Timing of revenue recognition							
At a point in time	-	181,281	-	81,243	-	-	262,524
Over time	-	-	-	-	114,421	10,401	124,822
	-	181,281	-	81,243	114,421	10,401	387,346
Other revenue	-	-	-	-	7,855	-	7,855
	-	181,281	-	81,243	122,276	10,401	395,201
Segment results	-	3,090	-	9,614	32,614	6,401	51,719
Reconciliation:							
Interest income							181
Unallocated other operating income							858
Fair value gain on financial assets at fair value through profit or loss							18,775
Finance costs							(50,503)
Corporate and other unallocated expenses							(20,214)
Profit before tax							816

	Wine and liquor (Unaudited) HK\$'000	Trading of food products (Unaudited) HK\$'000	Construction and development (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
	<u>1,064</u>	<u>100,282</u>	<u>–</u>	<u>68,462</u>	<u>120,480</u>	<u>4,467</u>	<u>294,755</u>
Other revenue	–	–	–	–	11,479	–	11,479
	<u>1,064</u>	<u>100,282</u>	<u>–</u>	<u>68,462</u>	<u>131,959</u>	<u>4,467</u>	<u>306,234</u>
Segment results	<u>337</u>	<u>2,359</u>	<u>–</u>	<u>8,417</u>	<u>23,611</u>	<u>2,753</u>	<u>37,477</u>
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							<u>(2,372)</u>

4. REVENUE AND OTHER INCOME, GAINS OR LOSSES

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, gains or losses is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with Customers		
Wine and liquor	–	1,064
Trading of food products	181,281	100,282
Mineral products	81,243	68,462
	<hr/>	<hr/>
Total revenue recognised at point in time	262,524	169,808
Revenue from other sources		
Rental	114,421	120,480
Financial leasing	10,401	4,467
	<hr/>	<hr/>
	387,346	294,755
	<hr/> <hr/>	<hr/> <hr/>
Other income, gains or losses		
Compensation income	7,855	11,479
Bank interest income	181	698
Fair value gain on financial assets at fair value through profit or loss	18,775	–
Others	858	811
	<hr/>	<hr/>
	27,669	12,988
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	26,204	9,817
Interest on lease liabilities	24,299	1,563
Imputed financial cost on convertible bonds	—	11,523
	<u>50,503</u>	<u>22,903</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	123,712	142,901
Depreciation of property, plant and equipment	7,900	7,847
Depreciation of right-of-use assets	70,259	3,178
Amortisation of other intangible assets	5,266	5,486
	<u>5,266</u>	<u>5,486</u>

7. INCOME TAX CREDIT

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 PRC in which the Group operates.

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current	74	302
Deferred	<u>(1,300)</u>	<u>(3,256)</u>
Total tax credit for the period	<u><u>(1,226)</u></u>	<u><u>(2,954)</u></u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2020 (2019: Nil).

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

Basic and diluted 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	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	<u><u>8,103</u></u>	<u><u>1,568</u></u>
Weighted average number of ordinary shares in issue ('000)	<u><u>5,890,531</u></u>	<u><u>5,890,531</u></u>
Basic and diluted earnings per share (HK cents)	<u><u>0.14</u></u>	<u><u>0.03</u></u>

The basic and diluted earnings per share are the same for the periods ended 30 June 2020 and 2019 as the effect of the Group's convertible bond and share options were anti-dilutive.

10. INTERESTS IN ASSOCIATES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Share of net assets	<u>268,286</u>	<u>278,734</u>

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 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	23,277	16,329
1 to 2 months	17,612	22,265
2 to 3 months	43,792	38,298
Over 3 months	<u>45,223</u>	<u>41,922</u>
	129,904	118,814
<i>Less: Allowance for expected credit losses</i>	<u>(22,133)</u>	<u>(22,133)</u>
	<u>107,771</u>	<u>96,681</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Prepayments	140,774	175,091
Deposits and other receivables	581,881	506,211
	722,655	681,302
<i>Less: Allowance for expected credit losses</i>	(143,915)	(143,915)
	578,740	537,387

As at 30 June 2020, approximately HK\$244,102,000 (31 December 2019: HK\$196,255,000) was paid as trade deposit and prepayments on trading of food and minerals products.

Rental deposits for the warehouse amounting to HK\$42,621,000 (31 December 2019: HK\$34,373,000) were paid for the warehouse logistic and rental business.

Approximately HK\$44,659,000 (31 December 2019: HK\$50,550,000) were the progress payment for the investment targets.

As at 30 June 2020, there were allowance for expected credit losses for other receivables amounted to HK\$143,915,000 recognised (31 December 2019: HK\$143,915,000).

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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 1 month	42,196	35,292
1 to 2 months	25,760	33,749
2 to 3 months	3,458	1,748
Over 3 months	<u>1,594</u>	<u>1,100</u>
	73,008	71,889
Bills payables	<u>100,385</u>	<u>101,617</u>
	<u>173,393</u>	<u>173,506</u>

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

As at 30 June 2020, bills payables of approximately HK\$100,385,000 (31 December 2019: HK\$101,617,000) were secured by the pledged deposits of the Group.

All the trade payables are denominated in Renminbi.

14. BANK AND OTHER BORROWINGS

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Secured bank loans	59,759	78,761
Secured other loans	195,000	–
Unsecured other loans	66,181	271,910
Secured bonds	109,000	109,000
Unsecured bonds	82,291	82,291
	512,231	541,962
Carrying amounts repayable within one year based on scheduled payment dates set out in the agreement	512,231	541,962
Carrying amounts not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	–	–
	512,231	541,962
<i>Less:</i> amounts due within one year shown under current liabilities	(512,231)	(541,962)
Amounts shown under non-current liabilities	–	–

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the Period, the Group's revenue amounted to approximately HK\$387.35 million (2019: HK\$294.76 million), representing an increase of 31.41% over corresponding period last year. Gross profit of the Group was approximately HK\$72.61 million (2019: HK\$56.52 million). The profit (net of tax) was approximately HK\$2,042,000 (2019: HK\$582,000).

Profit attributable to owners of the parent was approximately HK\$8.10 million (2019: HK\$1.57 million). Earnings per share for the Period was HK0.14 cents (2019: HK0.03 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 business 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, there was no revenue generated from the wine and liquor business (2019: HK\$1.06 million) as our sale points and delivery services were interrupted and even temporarily suspended during the coronavirus outbreak. Since the duration of the coronavirus outbreak remains uncertain, the Group will continue to review the development of this business segment.

Trading of Food Products Business

Trading of food products business recorded a revenue of approximately HK\$181.28 million (2019: HK\$100.28 million), accounted for 46.81% (2019: 34.02%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$8.6 million (2019: HK\$3.8 million). The increase in revenue was due to the increase in trading of staple food and cooking oil.

Construction and Development Business

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

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK\$114.42 million (2019: HK\$120.48 million), accounted for 29.54% (2019: 40.87%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$35.8 million (2019: HK\$28.1 million). After a few years of development, this segment has become one of the core businesses of the Group. The Group has rental business in Beijing, Shanghai and Hong Kong and will keep on exploring and investing in potential renting facilities.

Financial Leasing Business

The financial leasing business recorded a revenue of HK\$10.40 million (2019: HK\$4.47 million), accounted for 2.68% (2019: 1.52%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$7.4 million (2019: HK\$4.5 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\$81.24 million (2019: HK\$68.46 million) and accounted for 20.97% (2019: 23.23%) of the total revenue. The Group acquired this business in 2017 and expects the market of this business will remain fine and the revenue contributed by this segment will represent a larger portion of the Group’s revenue. Gross profit of this business segment for the Period was approximately HK\$20.8 million (2019: HK\$20.0 million).

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.

Business Co-operation

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

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

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

The sales activities under the Sales Cooperation commenced on 1 February 2020. However, due to the outbreak of coronavirus, the sales had been negatively impacted during the Period. The Group expects that the performance of this Sales Cooperation will show encouraging improvement when the coronavirus outbreak has become stabilized.

Memorandum of Understanding

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

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

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

Financial Review

Revenue

During the Period, the Group achieved a revenue of approximately HK\$387.35 million (2019: HK\$294.76 million), representing an increase of 31.41% when compared with the corresponding period last year. Gross profit of the Group was approximately HK\$72.61 million (2019: HK\$56.52 million). The profit (net of tax) was HK\$2,042,000 (2019: HK\$582,000).

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK\$7 million (2019: HK\$7.65 million), representing a decrease of 8.50% when compared with the corresponding period last year and 1.81% (2019: 2.60%) of the Group's revenue.

Administrative Expenses

Administrative expenses were approximately HK\$39.09 million (2019: HK\$42.51 million), representing a decrease of 8.05% 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 continued to control the cost through simplifying and combining the structure of the subsidiaries of similar business.

Finance Costs

Finance costs were approximately HK\$50.50 million (2019: HK\$22.90 million). The increase was mainly due to the increase of interest on bank and other borrowings and interest expenses of lease liabilities.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK\$244.10 million (31 December 2019: HK\$196.26 million) paid for food products and mineral products. The amounts of approximately HK\$44.66 million (31 December 2019: HK\$50.55 million) were the progress payments for the investment targets. HK\$42.62 million (31 December 2019: HK\$34.37 million) was paid as rental deposits for the rental business.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2020, the total number of issued shares of the Company was 6,225,125,683 shares. There was no change in the capital structure of the Company during the six months ended 30 June 2020.

As at 30 June 2020, the Group had net assets to owners of the parent of approximately HK\$1,226.54 million (31 December 2019: HK\$1,229.34 million). Net current assets of the Group as at 30 June 2020 amounted to approximately HK\$369.55 million (31 December 2019: HK\$320.20 million). The current ratio (calculated as current assets to current liabilities) for the Period was 1.35 (31 December 2019: 1.29).

The Group's unpledged cash and cash equivalents as at 30 June 2020 amounted to approximately HK\$51.84 million (31 December 2019: HK\$80 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposits as at 30 June 2020 amounted to approximately HK\$29.49 million (31 December 2019: HK\$47.78 million).

As at 30 June 2020, the Group's total bank and other borrowings amounted to approximately HK\$512.23 million (31 December 2019: HK\$541.96 million). All of the Group's bank and other borrowings were denominated in Renminbi and Hong Kong dollars. Included in bank and other borrowings, default payment for other borrowings amounted to approximately HK\$238,807,000 including the additional interest and penalty. The Company keeps negotiating with creditors of other borrowings for extension of repayment period.

The bank and other borrowings are charged at fixed interest rates. The gearing ratio of the Group as at 30 June 2020 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 38.48% (31 December 2019: 38.41%). The ratio was at reasonably adequate level as at 30 June 2020. Having considered the Group's current unpledged cash and cash equivalents, bank and other borrowings, and banking facilities, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the 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 2020, the deposit of HK\$29.49 million was pledged to banks to secure the Group's bills payable (31 December 2019: HK\$47.78 million).

The shares of two subsidiaries of the Company with net assets of HK\$30 million were pledged for a secured bond since August 2017. As the secured bond was matured, the bondholder has the right to take over the control of the two subsidiaries. The Company is in negotiation with the bondholder 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.

Placing of Convertible Bonds under General Mandate

On 20 July 2020, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company agreed to appoint the Placing Agent as placing agent for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six Places to subscribe in cash for the Convertible Bonds in a maximum aggregate principal amount of up to HK\$123 million. However, as certain condition precedent to the Placing Agreement was not fulfilled, the Placing Agreement lapsed on 17 August 2020. Details of the Placing Agreement were disclosed in the announcements of the Company dated 20 July 2020, 10 August 2020 and 17 August 2020.

Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 149 (30 June 2019: 165) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK\$5.85 million (30 June 2019: HK\$8.27 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 scheme 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.

Litigations

- (i) On 18 August 2015, the Company received a writ of summons issued from the High Court of Hong Kong (the “**Writ**”) relating to a claim by Mr. Qu Shuncai (“**Mr. Qu**”), a former Director. 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 11 November 2020.

- (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 Hong Kong pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong). The Petition was filed against the Company for being unable to repay a debt of amount HK\$21,140,987. Details of the Petition were disclosed in the announcements of the Company dated 15 August 2019 and 22 August 2019. Subsequently, our legal representatives filed a Notice of Originating Summons to the Court (under HCMP 1284 of 2019) returnable before a High Court Judge on 19 September 2019 for an order to direct the Petitioner to withdraw the Petition or otherwise to be restrained from taking further step to prosecute the Petition on the ground that the Petition is an abuse of process of the court. On 23 March 2020, leave was granted to the Company to withdraw the Originating Motion. As to the winding up proceedings itself, there was a hearing before the Companies Court on 29 July 2020, and at the request of the Petitioner, the winding up petition was adjourned to the Companies Master on 2 September 2020.
- (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. A Case Management Summons hearing has been fixed to be held before a Master on 21 January 2021.
- (iv) On 28 August 2019, our legal representatives filed a Notice of Originating Summons to the Court (under HCMP 1348 of 2019) to apply to the Court to dispute a Statutory Demand dated 24 July 2019 issued on behalf of Madam 方香崽 for the sum of HK\$20,094,520.55. The case has been adjourned sine die.
- (v) On 24 October 2019, the Company received a writ of summons (under HCA 1948 of 2019) issued on behalf of Gemini Funds Limited for an order to direct the Company to deliver up the share certificate of 5,000,000 (Bonus) Shares issued in January 2016 and damages to be assessed. The said Gemini Funds Limited has also taken out an application for summary judgment against the Company returnable before a Master of the High Court on 9 April 2020. Our legal representative filed an Acknowledgment of Service on 6 November 2019, and the Company has filed a notice to the Court to oppose the application by the said plaintiff to enter judgment against the Company. The hearing will be held before a Master on 8 September 2020.

- (vi) Pursuant to the Petition under item (ii) above, the Company successfully obtained a Validation Order of the Court dated 17 January 2020, under which any transfer of the issued and fully paid up shares in the Company since 13 August 2019 shall not be avoided by s.182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) in the event of a winding-up order being made against the Company. The sealed copy order has been obtained. Details of which were disclosed in the announcement of the Company dated 15 May 2020.
- (vii) On 15 June 2020, the Company received a writ of summons issued on behalf of JIANG SHENGLI (姜胜利) (“**JIANG**”) under HCA 947 of 2020. According to the Statement of Claim, JIANG being the plaintiff, claims against the Company for the sum of HK\$15,700,000 and the bond interest. Our legal representatives filed an Acknowledgment of Service on 22 June 2020 and stated our intention to contest the proceedings. The Company will file and serve a Defence. There is not yet any date fixed for any hearing.
- (viii) On 7 July 2020, the Company received a writ of summons issued on behalf of FANG XIANGZAI (方香崽) (“**FANG**”) under HCA 1128 of 2020. According to the Statement of Claim, FANG being the plaintiff, claims against the Company for the sum of HK\$30,575,000 and the agreement interest. Our legal representatives filed an Acknowledgment of Service on 22 July 2020 and stated our intention to contest the proceedings. The Company will file and serve a Defence. There is not yet any date fixed for any hearing.
- (ix) The Company is aware that two civil litigations in relation to its cooperation contracts filed with the People’s Court of Qianhai Cooperation Zone, Guangdong Province against the Company have been closed, and the Company and the plaintiff entered into a settlement agreement on 28 June 2020 and a bank account of one of its subsidiaries which was frozen has been unfrozen.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2020.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2020 have been reviewed by the audit committee of the Company, which comprises two independent non-executive Directors, namely Mr. Chong Cha Hwa 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2020.

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 2020, 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 30 June 2020 due to travel restrictions caused by COVID-19 outbreak.

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

Following the resignation of Mr. Ho Man Fai as an independent non-executive Director on 22 June 2020, the Company failed to meet the following requirements:

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

- (b) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules;
- (c) the remuneration committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and
- (d) the nomination committee comprising a majority of independent non-executive directors under code provision A.5.1 of the CG Code.

The Company has been making its best efforts to identify suitable person(s) for the above-mentioned outstanding positions to ensure that the vacancies be filled in as soon as possible and in any event within three months from 22 June 2020 for the purpose of compliance with the Listing Rules mentioned above, including the code provision of the CG Code.

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, 28 August 2020

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

* *For identification purposes only*