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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 2021

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 2021 (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	
		2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
REVENUE	4	403,141	387,346
Cost of sales		(328,469)	(314,733)
Gross profit		74,672	72,613
Other income, gains or (losses)	4	31,746	27,669
Selling and distribution expenses		(9,615)	(7,004)
Administrative expenses		(52,574)	(39,085)
Finance costs	5	(51,129)	(50,503)
Share of profit/(loss) of associates		843	(2,874)

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
(LOSS)/PROFIT BEFORE TAX	<i>6</i>	(6,057)	816
Income tax credit	<i>7</i>	<u>1,610</u>	<u>1,226</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(4,447)</u>	<u>2,042</u>
Attributable to:			
Owners of the parent		570	8,103
Non-controlling interests		<u>(5,017)</u>	<u>(6,061)</u>
		<u>(4,447)</u>	<u>2,042</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>9</i>	<u>HK0.01 cents</u>	<u>HK0.14 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(LOSS)/PROFIT FOR THE PERIOD	<u>(4,447)</u>	<u>2,042</u>
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations and associates	<u>13,049</u>	<u>(9,955)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>13,049</u>	<u>(9,955)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>8,602</u></u>	<u><u>(7,913)</u></u>
Attributable to:		
Owners of the parent	<u>10,009</u>	<u>(2,793)</u>
Non-controlling interests	<u>(1,407)</u>	<u>(5,120)</u>
	<u><u>8,602</u></u>	<u><u>(7,913)</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		57,577	63,394
Investment properties		432,002	426,959
Right-of-use assets		711,237	783,552
Rental deposits paid		4,039	3,849
Goodwill		37,250	36,751
Other intangible assets		3,776	9,315
Interests in associates	10	289,621	287,194
		1,535,502	1,611,014
CURRENT ASSETS			
Inventories		70,174	66,560
Properties for sale		307,942	287,046
Trade receivables	11	98,043	107,961
Loan receivables		318,770	354,125
Prepayments, deposits and other receivables	12	586,412	522,852
Pledged deposits		1,016	18,857
Cash and cash equivalents		24,495	26,115
		1,406,852	1,383,516
CURRENT LIABILITIES			
Trade and bills payables	13	60,518	105,668
Other payables and accruals	14	89,508	84,214
Contract liabilities		205,706	181,485
Bank and other borrowings	15	385,279	393,024
Amounts due to related parties		17,054	3,678
Tax payable		7,850	8,936
Lease liabilities		120,467	127,806
Convertible bonds		109,609	108,222
		995,991	1,013,033
NET CURRENT ASSETS		410,861	370,483
TOTAL ASSETS LESS CURRENT LIABILITIES		1,946,363	1,981,497

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	20,571	22,711
Lease liabilities	632,974	688,113
	<hr/>	<hr/>
Total non-current liabilities	653,545	710,824
	<hr/>	<hr/>
Net assets	1,292,818	1,270,673
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Share capital	622,513	622,513
Reserves	690,195	662,686
	<hr/>	<hr/>
	1,312,708	1,285,199
Non-controlling interests	(19,890)	(14,526)
	<hr/>	<hr/>
Total equity	1,292,818	1,270,673
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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 2021 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 2020.

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

As at 30 June 2021, the Group had default payments included; i) default secured bond of approximately HK\$109,000,000 to secured bondholder with interest of approximately HK\$27,250,000 (the “**Default Secured Bond**”); ii) default unsecured bonds HK\$18,100,000 to the unsecured bondholders with interest of approximately HK\$2,215,000 (the “**Default Unsecured Bond**”). In addition, the Group had outstanding bank and other borrowings and convertible bonds of approximately HK\$170,022,000 and HK\$109,609,000 respectively which were due for repayment or renewal in the next twelve months after 30 June 2021.

However, the Group’s cash and cash equivalents of approximately HK\$24,495,000 and the financial resources available to the Group as at 30 June 2021 may not be sufficient to repay the Default Secured Bond and the Default Unsecured Bond. 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.

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

The Group is negotiating with secured bondholder to extend the Default Secured Bond and with unsecured bondholders to extend the Default Unsecured Bond. In the opinion of the Directors, the Default Secured Bond and the Default Unsecured Bond will not be recalled until agreeing the new terms by the Group and the secured bondholders and unsecured bondholders.

3) *Disposal of non-financial assets or properties for sale*

The Group may consider to dispose non-financial assets or properties for sale if required.

4) *Financial support*

A substantial shareholder of the Company has agreed to continuously provide financial support for the continuing operations of the Company 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 the date of approval of the 2021 Interim Report.

- 5)** The Company has actively negotiated with investors for obtaining further financing when necessary including but not limited to equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group.

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 amendments to HKFRSs

In the current interim period, the Group has applied, for the following amendments to HKFRSs issued by the HKICPA for the first time which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim 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.

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 2021 and 2020.

	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 2021							
Segment revenue:							
Sales to external customers	-	136,952	-	116,295	132,197	17,697	403,141
Timing of revenue recognition							
At a point in time	-	136,952	-	116,295	-	-	253,247
Revenue from other sources	-	-	-	-	132,197	17,697	149,894
Other income, gain or (losses)	-	-	-	-	-	(5,174)	(5,174)
	<u>-</u>	<u>136,952</u>	<u>-</u>	<u>116,295</u>	<u>132,197</u>	<u>12,523</u>	<u>397,967</u>
Segment results	<u>-</u>	<u>(1,640)</u>	<u>-</u>	<u>9,281</u>	<u>20,896</u>	<u>9,674</u>	<u>38,211</u>
Reconciliation:							
Interest income							44
Unallocated other operating income							36,876
Finance costs							(51,129)
Corporate and other unallocated expenses							(30,059)
Loss before tax							<u>(6,057)</u>

	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
Revenue from other sources	-	-	-	-	114,421	10,401	124,822
Other income, gain or (losses)	-	-	-	-	7,855	-	7,855
	<u>-</u>	<u>181,281</u>	<u>-</u>	<u>81,243</u>	<u>122,276</u>	<u>10,401</u>	<u>395,201</u>
Segment results	<u>-</u>	<u>3,090</u>	<u>-</u>	<u>9,614</u>	<u>32,614</u>	<u>6,401</u>	<u>51,719</u>
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							<u>(20,214)</u>
Profit before tax							<u>816</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	
	2021	2020
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Revenue from contracts with Customers		
Trading of food products	136,952	181,281
Mineral products	116,295	81,243
	<hr/>	<hr/>
Total revenue recognised at point in time	253,247	262,524
Revenue from other sources		
Rental	132,197	114,421
Financial leasing	17,697	10,401
	<hr/>	<hr/>
	403,141	387,346
	<hr/> <hr/>	<hr/> <hr/>
Other income, gains or (losses)		
Compensation income	-	7,855
Bank interest income	44	181
Fair value gain on financial assets at fair value through profit or loss	-	18,775
Net allowance for expected credit losses recognised on loan receivables	(5,174)	-
Net allowance for expected credit losses reversal on other receivables	34,182	-
Others	2,694	858
	<hr/>	<hr/>
	31,746	27,669
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	19,064	26,204
Interest on lease liabilities	24,012	24,299
Imputed financial cost on convertible bonds	8,053	–
	<u>51,129</u>	<u>50,503</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	182,308	123,712
Depreciation of property, plant and equipment	6,022	7,900
Depreciation of right-of-use assets	79,162	70,259
Amortisation of other intangible assets	5,522	5,266
Share-based payments	17,500	–

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	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Current	2	74
Deferred	<u>(1,612)</u>	<u>(1,300)</u>
Total tax credit for the period	<u><u>(1,610)</u></u>	<u><u>(1,226)</u></u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2021 (2020: 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	
	2021 (Unaudited)	2020 (Unaudited)
Profit attributable to the equity holders of the Company (HK\$'000)	<u>570</u>	<u>8,103</u>
Weighted average number of ordinary shares in issue ('000)	<u>6,225,126</u>	<u>5,890,531</u>
Basic and diluted earnings per share (HK cents)	<u><u>0.01</u></u>	<u><u>0.14</u></u>

The basic and diluted earnings per share are the same for the periods ended 30 June 2021 and 2020 as the effect of the Group's convertible bond and share options were anti-dilutive.

10. INTERESTS IN ASSOCIATES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Share of net assets	<u>289,621</u>	<u>287,194</u>

11. TRADE RECEIVABLES

Other than the cash 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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	17,662	15,293
1 to 2 months	26,355	22,040
2 to 3 months	34,070	33,698
Over 3 months	<u>38,266</u>	<u>55,240</u>
	116,353	126,271
<i>Less: Allowance for expected credit losses</i>	<u>(18,310)</u>	<u>(18,310)</u>
	<u>98,043</u>	<u>107,961</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Prepayments	143,208	228,898
Deposits and other receivables	501,408	386,340
	644,616	615,238
<i>Less: Allowance for expected credit losses</i>	(58,204)	(92,386)
	586,412	522,852

As at 30 June 2021, approximately HK\$211,594,000 (31 December 2020: HK\$239,364,000) was paid as trade deposits and prepayments on trading of food and minerals products.

Rental deposits for the warehouse amounting to HK\$43,139,000 (31 December 2020: HK\$37,076,000) were paid for the warehouse logistic business.

Approximately HK\$24,542,000 (31 December 2020: HK\$24,221,000) were the progress payment for the investment targets.

The consideration receivable of disposal of Zhongshan Shuixiang Lvyou Kaifa Company Limited of approximately HK\$18,814,000 grouped under other receivables as at 31 December 2020.

Approximately HK\$45,509,000 (31 December 2020: HK\$66,405,000) were prepaid construction and development for the properties for sale.

As at 30 June 2021, there were allowance for expected credit losses reversal on other receivables amounted to HK\$34,182,000 recognised (31 December 2020: HK\$56,576,000).

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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	5,283	7,608
1 to 2 months	7,781	10,483
2 to 3 months	4,728	4,945
Over 3 months	<u>659</u>	<u>1,464</u>
	18,451	24,500
Bills payable	<u>42,067</u>	<u>81,168</u>
	<u>60,518</u>	<u>105,668</u>

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

As at 30 June 2021, bills payables of approximately HK\$42,067,000 were secured by the investment property of the Group.

As at 31 December 2020, bills payables of approximately HK\$81,168,000 were secured by the pledged deposits of the Group.

All the trade payables are denominated in Renminbi.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
Other payables	54,856	44,164
Accruals	34,652	40,050
	<u>89,508</u>	<u>84,214</u>

Other payables are non-interest-bearing and have an average term of three months.

As included in other payables, there are HK\$52,854,000 (31 December 2020: HK\$32,302,000) rental deposits received from the tenants of logistic warehouse and office in PRC, and HK\$147,000 (31 December 2020: HK\$156,000) related to leasehold improvement payable as at 30 June 2021.

Included in the accruals, there are default interest of approximately HK\$29,445,000 (31 December 2020: HK\$27,850,000).

15. BANK AND OTHER BORROWINGS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Secured bank loans	72,114	67,116
Unsecured other loans	70,650	74,608
Secured bonds	109,000	109,000
Unsecured bonds	<u>133,515</u>	<u>142,300</u>
	<u>385,279</u>	<u>393,024</u>
Carrying amounts repayable within one year based on scheduled payment dates set out in the agreement	356,819	360,833
Carrying amounts not repayable within one year from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	<u>28,460</u>	<u>32,191</u>
	385,279	393,024
<i>Less:</i> amounts due within one year shown under current liabilities	<u>(385,279)</u>	<u>(393,024)</u>
Amounts shown under non-current liabilities	<u>–</u>	<u>–</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the Period, the Group's revenue amounted to approximately HK\$403.14 million (2020: HK\$387.35 million), representing an increase of 4.08% over corresponding period last year. Gross profit of the Group was approximately HK\$74.67 million (2020: HK\$72.61 million). The loss (net of tax) was approximately HK\$4,447,000 (2020: profit (net of tax) of HK\$2,042,000). The change from profit in the corresponding period last year to loss for the Period was mainly due to the combined effect of (i) there was no substantial fair value gain on financial assets of HK\$18,775,000 for the Period as it did in the corresponding period in 2020; (ii) there was a net allowance for expected credit losses reversal on other receivables of HK\$34,182,000 for the Period as it did not have in the corresponding period in 2020; (iii) there was a share-based payments of HK\$17,500,000 for the Period whereas it was none in the corresponding period in 2020; and (iv) there was a net allowance for expected credit losses recognised on loan receivable of HK\$5,174,000 for the Period whereas it was none in the corresponding period in 2020.

Profit attributable to owners of the parent was approximately HK\$0.57 million (2020: HK\$8.10 million). Earnings per share for the Period was HK0.01 cents (2020: HK0.14 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 People's Republic of China ("PRC").

During the Period, there was no revenue generated from the wine and liquor business (2020: HK\$Nil) 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\$136.95 million (2020: HK\$181.28 million), accounted for 33.97% (2020: 46.81%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$1.36 million (2020: HK\$8.62 million). The decrease in revenue was due to the decrease 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 started 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 2021.

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK\$132.20 million (2020: HK\$114.42 million), accounted for 32.79% (2020: 29.54%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$36.64 million (2020: HK\$35.81 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\$17.70 million (2020: HK\$10.40 million), accounted for 4.39% (2020: 2.68%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$11.50 million (2020: HK\$7.42 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\$116.30 million (2020: HK\$81.24 million) and accounted for 28.85% (2020: 20.97%) 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\$22.62 million (2020: HK\$20.83 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

- (i) On 24 February 2021, the Company entered into a strategic cooperation agreement (the “**Cooperation Agreement**”) with Yueyang Guansheng Industry Development Co., Ltd.* (岳陽觀盛投資發展有限公司) (“**Yueyang Guansheng**”, together with the Company, the “**Parties**”) in respect of the proposed global procurement of feed ingredients (the “**Strategic Cooperation**”).

According to the Cooperation Agreement, the Parties agreed to cooperate closely in respect of the global procurement of (i) non-genetically modified soybeans and (ii) both genetically modified and non-genetically modified yellow corn. The term of the Cooperation Agreement commenced on 1 March 2021 and will end on 31 December 2022. The implementation of the Strategic Cooperation between the Parties is subject to the execution of formal sales and purchase contract(s). Details of the Cooperation Agreement were disclosed in the announcement of the Company dated 24 February 2021.

- (ii) On 27 May 2021, the Company entered into a strategic cooperation framework agreement (the “**Framework Agreement**”) with Yishikangte Health Management Co., Ltd.* (頤詩康特健康管理有限公司) (“**Yishikangte**”, together with the Company, the “**Parties**”) in respect of the proposed establishment of an e-commerce platform (the “**Platform**”) and sale of food products and wine and liquor through the Platform (the “**Strategic Cooperation**”).

According to the Framework Agreement, the Parties shall utilise their respective advantages and cooperate based on the concept of industry and capital integrated development. The Parties agree to cooperate in the following area:

- jointly establish a limited liability company in Shenzhen, PRC with a registered capital of RMB10 million, to act as the project entity for the Strategic Cooperation (the “**Project Company**”). The shareholding of the Company and Yishikangte in the Project Company shall be 60% and 40%, respectively;
- Yishikangte shall be responsible for the development of the Platform for the Project Company, and the organisation of online and offline sales team, with a view to achieve an annual sales amount of RMB4 billion through the Platform.
- the Company shall supply products such as Wuchang rice, aged and collectible liquor for sales on the Platform, and the actual products shall be agreed by the Parties separately; and
- the products to be supplied by the Company may be changed at any time based on sales and market conditions, and the products can be selected or customised through mutual negotiation between the Parties.

Details of the Framework Agreement were disclosed in the announcement of the Company dated 27 May 2021.

Financial Review

Revenue

During the Period, the Group achieved a revenue of approximately HK\$403.14 million (2020: HK\$387.35 million), representing an increase of 4.08% when compared with the corresponding period last year. Gross profit of the Group was approximately HK\$74.67 million (2020: HK\$72.61 million). The loss (net of tax) was approximately HK\$4,447,000 (2020: profit (net of tax) of HK\$2,042,000).

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK\$9.62 million (2020: HK\$7.00 million), representing an increase of 37.28% when compared with the corresponding period last year and 2.39% (2020: 1.81%) of the Group's revenue. The increase in selling and distribution expenses was mainly due to the expenses incurred for the pre-sale of properties in Lianyungang.

Administrative Expenses

Administrative expenses were approximately HK\$52.57 million (2020: HK\$39.09 million), representing an increase of 34.51% when compared with the corresponding period last year. The increase was mainly due to the share-based payments of HK\$17.50 million for the Period. 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\$51.13 million (2020: HK\$50.50 million). The increase was mainly due to the increase of imputed financial cost on convertible bonds.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK\$211.59 million (31 December 2020: HK\$239.36 million) paid for food products and mineral products. The amounts of approximately HK\$24.54 million (31 December 2020: HK\$24.22 million) were the progress payments for the investment targets. HK\$43.14 million (31 December 2020: HK\$37.08 million) was paid as rental deposits for the rental business.

Capital Structure, Liquidity and Financial Resources

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 22 January 2021, the authorised share capital of the Company was increased from HK\$800,000,000 divided into 8,000,000,000 shares of HK\$0.10 each to HK\$1,600,000,000 divided into 16,000,000,000 shares of HK\$0.10 each by the creation of an additional 8,000,000,000 shares. As at 30 June 2021, the total number of issued shares of the Company was 6,225,125,683 shares. There was no change in the number of issued shares of the Company during the six months ended 30 June 2021.

As at 30 June 2021, the Group had net assets to owners of the parent of approximately HK\$1,312.71 million (31 December 2020: HK\$1,285.20 million). Net current assets of the Group as at 30 June 2021 amounted to approximately HK\$410.86 million (31 December 2020: HK\$370.48 million). The current ratio (calculated as current assets to current liabilities) for the Period was 1.41 (31 December 2020: 1.37).

The Group's unpledged cash and cash equivalents as at 30 June 2021 amounted to approximately HK\$24.50 million (31 December 2020: HK\$26.12 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposits as at 30 June 2021 amounted to approximately HK\$1.02 million (31 December 2020: HK\$18.86 million).

As at 30 June 2021, the Group's total bank and other borrowings amounted to approximately HK\$385.28 million (31 December 2020: HK\$393.02 million). The bank and other borrowings are charged at fixed interest rates. All of the Group's bank and other borrowings were denominated in Renminbi and Hong Kong dollars.

The gearing ratio of the Group as at 30 June 2021 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 32.65% (31 December 2020: 33.58%). The ratio was at reasonably adequate level as at 30 June 2021. 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, utilise hedging tools, if available, to manage its foreign currency exposure.

Charge on Assets and Contingent Liabilities

The shares of two subsidiaries of the Company with net assets of HK\$22.87 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.

Investment properties with fair value of approximately HK\$311.68 million was pledged to the bank for the Group's borrowings.

Employees and Remuneration Policy

As at 30 June 2021, the Group had approximately 155 (30 June 2020: 149) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK\$6.56 million (30 June 2020: HK\$5.85 million). Remuneration of employees is offered at competitive standards, generally structured with reference to market terms and individual qualifications. The Company has adopted the share option 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 Shuncaï ("**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 trial will take place on 8 December 2022.

- (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, the parties reached full and final settlement and the Court had, by its Order dated on 8 March 2021, dismissed the Petition, details of which were disclosed on the announcement of the Company dated 8 March 2021.
- (iii) 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.
- (iv) 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 was heard before a Judge on 21 January 2021 and pursuant to the Judgement, the Company delivered up the said share certificate to the Plaintiff on 24 March 2021. At the same time, the Company filed a Notice to Appeal on 18 February 2021.

- (v) 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. Further, the Company also obtained another Validation Order of the Court dated 6 January 2021, under which payments of HK\$569,558.00 made out of the Company's bank accounts for the purpose of paying the legal expenses of the Company shall not be avoided.
- (vi) On 15 June 2020, the Company received a writ of summons issued on behalf of JIANG SHENGLI (姜勝利) (“**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. Subsequently, the parties reached full and final settlement and signed a Settlement Agreement on 25 March 2021. A Notice of Discontinuance was filed by the said plaintiff on 31 March 2021.
- (vii) 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. Subsequently, the parties reached full and final settlement. A Notice of Discontinuance was filed by the said plaintiff on 4 May 2021.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2021 have been reviewed by the audit committee of the Company, which comprises three independent non-executive Directors, namely Mr. Chong Cha Hwa, Mr. Yang Yunguang and Mr. Chen Zhifeng.

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**”) in Appendix 10 to 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 2021.

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 2021, 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 Board, 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 25 June 2021 in person due to government measures on 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), 3.10A, 3.21 and 3.25 of the Listing Rules and Deviation from Code Provision A.5.1 of the CG Code

During the period from 22 January 2021 to 16 May 2021, the Company failed to meet the following requirements as a result of the retirement of Mr. Liu Tao as an independent non-executive Director on 22 January 2021:

- (a) at least three independent non-executive directors on the board of directors under Rule 3.10(1) of the Listing Rules;
- (b) the independent non-executive directors representing at least one-third of the board of directors under Rule 3.10A of the Listing Rules;
- (c) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules;
- (d) the remuneration committee comprising a majority of independent non-executive directors under Rule 3.25 of the Listing Rules; and
- (e) the nomination committee comprising a majority of independent non-executive directors under code provision A.5.1 of the CG Code.

On 17 May 2021, Mr. Chen Zhifeng was appointed as an independent non-executive Director and a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Following Mr. Chen's appointment, the Company fully complied with the requirements under Rules 3.10(1), 3.10A, 3.21 and 3.25 of the Listing Rules and code provision A.5.1 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, 31 August 2021

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

* *For identification purposes only*