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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 2022

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 2022 (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

	Notes	Six months ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	4	418,706	403,141
Cost of sales		<u>(365,594)</u>	<u>(328,469)</u>
Gross profit		53,112	74,672
Other income, gains or (losses)	4	2,065	31,746
Selling and distribution expenses		(10,609)	(9,615)
Administrative expenses		(48,610)	(52,574)
Finance costs	5	(44,018)	(51,129)
Share of (loss)/profit of associates		<u>(114)</u>	<u>843</u>

	<i>Notes</i>	Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
LOSS BEFORE TAX	<i>6</i>	(48,174)	(6,057)
Income tax (expense)/credit	<i>7</i>	<u>(60)</u>	<u>1,610</u>
LOSS FOR THE PERIOD		<u>(48,234)</u>	<u>(4,447)</u>
Attributable to:			
Owners of the parent		(40,203)	570
Non-controlling interests		<u>(8,031)</u>	<u>(5,017)</u>
		<u>(48,234)</u>	<u>(4,447)</u>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE PARENT	<i>9</i>		
Basic and diluted (in HK cents)		<u>(0.65)</u>	<u>0.01</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
LOSS FOR THE PERIOD	(48,234)	(4,447)
Other comprehensive (expense)/income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations and associates	(95,382)	13,049
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(143,616)	8,602
Attributable to:		
Owners of the parent	(133,564)	10,009
Non-controlling interests	(10,052)	(1,407)
	(143,616)	8,602

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		51,187	57,697
Investment properties		431,125	454,913
Right-of-use assets		549,246	667,407
Rental deposits paid		4,217	4,298
Goodwill		3,821	4,032
Other intangible assets		–	–
Interests in associates	10	284,819	284,605
		1,324,415	1,472,952
CURRENT ASSETS			
Inventories		107,316	97,000
Properties for sale		458,994	411,934
Trade receivables	11	80,863	136,689
Loan receivables		245,728	290,171
Prepayments, deposits and other receivables	12	393,815	443,872
Cash and cash equivalents		26,109	27,433
		1,312,825	1,407,099
CURRENT LIABILITIES			
Trade and bills payables	13	177,955	140,738
Other payables and accruals	14	154,938	147,986
Contract liabilities		187,448	209,222
Bank and other borrowings	15	489,705	520,999
Amounts due to related parties		27,969	14,940
Tax payable		8,653	8,825
Lease liabilities		142,179	144,853
		1,188,847	1,187,563
NET CURRENT ASSETS		123,978	219,536
TOTAL ASSETS LESS CURRENT LIABILITIES		1,448,393	1,692,488

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
NON-CURRENT LIABILITIES		
Deferred tax liabilities	27,945	29,380
Lease liabilities	<u>459,837</u>	<u>558,712</u>
Total non-current liabilities	<u>487,782</u>	<u>588,092</u>
Net assets	<u>960,611</u>	<u>1,104,396</u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	622,513	622,513
Reserves	<u>372,603</u>	<u>506,167</u>
	995,116	1,128,680
Non-controlling interests	<u>(34,505)</u>	<u>(24,284)</u>
Total equity	<u>960,611</u>	<u>1,104,396</u>

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 2022 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 2021.

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 2022, the Group had defaulted in repayments of its debts, including: i) default in repayment of principal amount of secured bonds of HK\$109,000,000 and interests thereon of approximately HK\$38,150,000 (the “**Defaulted Secured Bonds**”); ii) default in repayment of principal amount of unsecured bonds of HK\$127,600,000 and interests thereon of approximately HK\$21,898,000 (the “**Default Unsecured Bonds**”), of which a holder claims the aggregate amount of approximately HK\$5,252,000 including interest thereon, has filed a petition against the Company; and iii) default in settlement of construction payables which, including additional penalties thereon, amounted to approximately HK\$95,997,000 (the “**Defaulted Construction Payables**”), in respect of which the Group had received a notice from the contractor of the event of default and demand for payment. In addition, the Group had outstanding bank and other borrowings other than the Defaulted Secured Bonds and Defaulted Unsecured Bonds of approximately HK\$193,791,000 as at 30 June 2022 which were due for repayment or renewal in the next twelve months after 30 June 2022 and incurred a loss for the period ended 30 June 2022 of approximately HK\$48,234,000.

However, the Group's cash and cash equivalents amounted to approximately HK\$26,109,000 as at 30 June 2022 and the financial resources available to the Group as at 30 June 2022 may not be sufficient to repay the Defaulted Secured Bonds, the Defaulted Unsecured Bonds and the Defaulted Construction Payables and other liabilities of the Group. In the preparation of the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors have adopted the going concern basis of accounting in the preparation of the consolidated financial statements and are of the view that the Group is able to continue as a going concern, after taking into account the plans and measures being implemented in order to improve the working capital and liquidity and cash flow position of the Group, as follows:

1) Existing business

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

2) Negotiating with creditors' new terms of other borrowings

The Group is negotiating with its secured and unsecured bondholders to extend the repayment dates for the principal and the interests amounts of the Defaulted Secured Bond and the Defaulted Unsecured Bonds. In the opinion of the Directors, the majority of the holders of the Default Secured Bond and the Default Unsecured Bond will not proceed with legal actions against the Group and instead will agree upon new repayment terms to be agreed between the Group and the secured bondholder and the unsecured bondholders.

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

The Group may consider to dispose non-financial assets and properties if required.

4) Financial support

A 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 the date of approval of the 2022 Interim Report.

5) New funding

The Company is negotiating 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 being implemented during and after the end of the 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 consolidated financial statements on a going concern basis. However, the validity of the preparation of the consolidated financial statements on going concern basis depends on the successful eventual outcome of the above mentioned plans and measures, which are inherently uncertain and as at the date of approval of the consolidated financial statements cannot be ascertained with reasonable certainty and are still subject to multiple uncertainties. 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 effects of these adjustments have not been reflected in the 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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2022
Amendment to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvement to HKFRSs 2018-2020

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 2022 and 2021.

	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 2022							
Segment revenue:							
Sales to external customers	-	181,431	-	105,345	119,124	12,806	418,706
Timing of revenue recognition							
At a point in time	-	181,431	-	105,345	-	-	286,776
Revenue from other sources	-	-	-	-	119,124	12,806	131,930
Other income, gain or (losses)	-	314	-	-	1,334	4	1,652
	<u>-</u>	<u>181,745</u>	<u>-</u>	<u>105,345</u>	<u>120,458</u>	<u>12,810</u>	<u>420,358</u>
Segment results	<u>-</u>	<u>932</u>	<u>(2,816)</u>	<u>2,554</u>	<u>8,402</u>	<u>4,904</u>	<u>13,976</u>
Reconciliation:							
Interest income							14
Unallocated other operating income							399
Finance costs							(44,018)
Corporate and other unallocated expenses							(18,605)
Loss before tax							<u>(48,234)</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 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>

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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue from contracts with Customers		
Trading of food products	181,431	136,952
Mineral products	105,345	116,295
	<hr/>	<hr/>
Total revenue recognised at point in time	286,776	253,247
Revenue from other sources		
Rental	119,124	132,197
Financial leasing	12,806	17,697
	<hr/>	<hr/>
	418,706	403,141
	<hr/> <hr/>	<hr/> <hr/>
Other income, gains or (losses)		
Bank interest income	14	44
Net allowance for expected credit losses recognised on loan receivables	–	(5,174)
Net allowance for expected credit losses reversal on other receivables	–	34,182
Interest income	1,132	1,690
Government grants (<i>Note</i>)	285	63
Others	634	941
	<hr/>	<hr/>
	2,065	31,746
	<hr/> <hr/>	<hr/> <hr/>

Note:

Government grants were mainly granted to the Groups as subsidies to support the operation of the PRC subsidiaries. There are no special conditions of contingencies that are needed to be fulfilled and they were non-recurring in nature.

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank and other borrowings wholly repayable within five years	22,119	19,064
Interest on lease liabilities	21,899	24,012
Imputed financial cost on convertible bonds	–	8,053
	<u>44,018</u>	<u>51,129</u>

6. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories recognised as an expenses	251,821	182,308
Depreciation of property, plant and equipment	6,090	6,022
Depreciation of right-of-use assets	92,423	79,162
Amortisation of other intangible assets	–	5,522
Share-based payments	–	17,500
	<u>–</u>	<u>17,500</u>

7. INCOME TAX (EXPENSE)/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	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current	(51)	(2)
Deferred	(9)	1,612
Total tax (expense)/credit for the period	<u>(60)</u>	<u>1,610</u>

8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/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	
	2022 (Unaudited)	2021 (Unaudited)
(Loss)/profit attributable to the equity holders of the Company (HK\$'000)	<u>(40,203)</u>	<u>570</u>
Weighted average number of ordinary shares in issue ('000)	<u>6,225,126</u>	<u>6,225,126</u>
Basic and diluted (loss)/earnings per share (HK cents)	<u>(0.65)</u>	<u>0.01</u>

The basic and diluted (loss)/earnings per share are the same for the periods ended 30 June 2022 and 2021 as the effect of the Group's share options were anti-dilutive.

10. INTERESTS IN ASSOCIATES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Share of net assets	152,668	161,208
Advances to associates, net of allowance for expected credit losses	<u>132,151</u>	<u>123,397</u>
	<u>284,819</u>	<u>284,605</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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	37,905	32,739
1 to 2 months	29,718	30,131
2 to 3 months	17,959	40,682
Over 3 months	<u>13,462</u>	<u>52,321</u>
	99,044	155,873
<i>Less: Allowance for expected credit losses</i>	<u>(18,181)</u>	<u>(19,184)</u>
	<u>80,863</u>	<u>136,689</u>

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Prepayments	158,573	249,918
Deposits and other receivables	285,249	246,720
	443,822	496,638
<i>Less: Allowance for expected credit losses</i>	(50,007)	(52,766)
	393,815	443,872

As at 30 June 2022, approximately HK\$296,434,000 (31 December 2021: HK\$320,701,000) was paid as trade deposits and prepayments on trading of food and minerals products.

Rental deposits for the warehouse amounting to HK\$43,742,000 (31 December 2021: HK\$42,980,000) were paid for the warehouse logistic business.

Approximately HK\$23,322,000 (31 December 2021: HK\$24,609,000) were the progress payment for the investment targets.

As at 31 December 2021, approximately HK\$1,482,000 were prepaid construction and development for the properties for sale.

As at 31 December 2021, there were allowance for expected credit losses reversal on other receivables amounted to HK\$41,631,000 recognised.

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 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	26,624	9,342
1 to 2 months	28,724	19,772
2 to 3 months	8,365	8,834
Over 3 months	<u>80,874</u>	<u>72,523</u>
	144,587	110,471
Bills payable	<u>33,368</u>	<u>30,267</u>
	<u>177,955</u>	<u>140,738</u>

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

Included in trade payables are HK\$70,432,000 (31 December 2021: HK\$73,500,000) construction payables in which approximately HK\$66,105,000 are defaulted.

As at 30 June 2022, bills payables of approximately HK\$33,368,000 (31 December 2021: HK\$30,267,000) were secured by the investment property with fair value of approximately HK\$311,720,000 (31 December 2021: HK\$328,919,000) and personal guarantee by shareholder of the Company and related parties.

All the trade payables are denominated in Renminbi.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
Other payables	54,218	54,096
Accruals	100,720	93,890
	<u>154,938</u>	<u>147,986</u>

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

As included in other payables, there are HK\$46,646,000 (31 December 2021: HK\$48,411,000) rental deposits received from the tenants of logistic warehouse and office in PRC, and HK\$160,000 (31 December 2021: HK\$194,000) related to leasehold improvement payable as at 30 June 2022.

Included in the accruals, there are default interest of approximately HK\$60,048,000 (31 December 2021: HK\$47,682,000) and the penalties from default construction payables of approximately HK\$29,892,000 (31 December 2021: HK\$30,826,000).

15. BANK AND OTHER BORROWINGS

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Secured bank loans	66,150	80,919
Unsecured other loans	63,641	79,530
Secured bonds	109,000	109,000
Unsecured bonds	<u>250,914</u>	<u>251,550</u>
	<u>489,705</u>	<u>520,999</u>
Carrying amounts repayable within one year based on scheduled payment dates set out in the agreement	430,391	461,049
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>59,314</u>	<u>59,950</u>
	489,705	520,999
<i>Less:</i> amounts due within one year shown under current liabilities	<u>(489,705)</u>	<u>(520,999)</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\$418.71 million (2021: HK\$403.14 million), representing an increase of 3.86% over the corresponding period in 2021 (the "**Corresponding Period**"). Gross profit of the Group was approximately HK\$53.11 million (2021: HK\$74.67 million). The loss (net of tax) was approximately HK\$48,234,000 (2021: HK\$4,447,000). The increase in loss for the Period was mainly due to the combined effect of (i) the decrease in gross profit from HK\$74,672,000 for the Corresponding Period to HK\$53,112,000 for the Period due to the keen market competition which led to the decrease in gross profit margin, (ii) there was no net allowance for expected credit losses reversal on other receivables for the Period as it did have HK\$34,182,000 for the Corresponding Period, (iii) there was no share-based payment for the Period as it did have HK\$17,500,000 for the Corresponding Period, and (iv) the decrease in finance costs as there was no imputed financial cost on convertible bonds for the Period as it did have HK\$8,053,000 for the Corresponding Period.

Loss attributable to owners of the parent was approximately HK\$40,203,000 (2021: Profit of HK\$570,000). Loss per share for the Period was HK0.65 cents (2021: Earnings per share of HK0.01 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 (2021: 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\$181.43 million (2021: HK\$136.95 million), accounted for 43.33% (2021: 33.97%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$3.47 million (2021: HK\$3.91 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 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 2022.

Rental Business

The logistic facilities and office facilities renting business recorded a revenue of approximately HK\$119.12 million (2021: HK\$132.20 million), accounted for 28.45% (2021: 32.79%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$32.79 million (2021: HK\$36.64 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\$12.81 million (2021: HK\$17.70 million), accounted for 3.06% (2021: 4.39%) of the total revenue. Gross profit of this business segment for the Period was approximately HK\$3.48 million (2021: HK\$11.50 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\$105.35 million (2021: HK\$116.30 million) and accounted for 25.16% (2021: 28.85%) 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\$13.37 million (2021: HK\$22.62 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.

Financial Review

Revenue

During the Period, the Group achieved a revenue of approximately HK\$418.71 million (2021: HK\$403.14 million), representing an increase of 3.86% when compared with the Corresponding Period. Gross profit of the Group was approximately HK\$53.11 million (2021: HK\$74.67 million). The loss (net of tax) was approximately HK\$48,234,000 (2021: HK\$4,447,000).

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK\$10.61 million (2021: HK\$9.62 million), representing an increase of 10.34% when compared with the Corresponding Period and 2.53% (2021: 2.39%) 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\$48.61 million (2021: HK\$52.57 million), representing a decrease of 7.54% when compared with the Corresponding Period. The decrease was mainly due to there was no share-based payments for the Period whereas there was HK\$17.50 million for the Corresponding 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\$44.02 million (2021: HK\$51.13 million). The decrease was mainly due to there was no imputed financial cost on convertible bonds for the Period.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK\$296.43 million (31 December 2021: HK\$320.70 million) paid for food products and mineral products. The amounts of approximately HK\$23.32 million (31 December 2021: HK\$24.61 million) were the progress payments for the investment targets. HK\$43.74 million (31 December 2021: HK\$42.98 million) was paid as rental deposits for the rental business.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2022, 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 2022.

As at 30 June 2022, the Group had net assets to owners of the parent of approximately HK\$995.12 million (31 December 2021: HK\$1,128.68 million). Net current assets of the Group as at 30 June 2022 amounted to approximately HK\$123.98 million (31 December 2021: HK\$219.54 million). The current ratio (calculated as current assets to current liabilities) for the Period was 1.10 (31 December 2021: 1.18).

The Group's cash and cash equivalents as at 30 June 2022 amounted to approximately HK\$26.11 million (31 December 2021: HK\$27.43 million), which were denominated in Hong Kong dollars and Renminbi.

As at 30 June 2022, the Group's total bank and other borrowings amounted to approximately HK\$489.71 million (31 December 2021: HK\$521.00 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 2022 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 45.31% (31 December 2021: 41.39%). The ratio was at reasonably adequate level as at 30 June 2022. Having considered the Group's current cash and cash equivalents, bank and other borrowings, and banking facilities, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the Period.

The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact 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\$31.83 million (31 December 2021: HK\$30.61 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\$311.72 million (31 December 2021: HK\$328.92 million) was pledged to the bank for the Group's borrowings.

Employees and Remuneration Policy

As at 30 June 2022, the Group had approximately 167 (30 June 2021: 155) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK\$5.66 million (30 June 2021: HK\$6.56 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) HCA 1867 of 2015

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, which the Company denies. The trial will be heard in the High Court on 8 December 2022 with 5 days reserved.

(ii) HCMP 1348 of 2019

On 28 August 2019, the legal representatives of the Company 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.

(iii) HCA 1948 of 2019 & CACV 65 of 2021

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. The legal representatives of the Company filed an Acknowledgment of Service on 6 November 2019, and the Company then 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 judgment, the Company delivered up the said share certificate to the Plaintiff on 24 March 2021. At the same time, the Company filed a Notice of Appeal on 18 February 2021 (under CACV 65 of 2021). The date of the hearing on the appeal has not been fixed.

(iv) HCMP 1296 of 2021

On 7 September 2021, the legal representatives of the Company filed a Notice of Originating Summons to the Court (under HCMP 1296 of 2021) to apply to the Court to dispute a Statutory Demand dated 12 August 2021 issued on behalf of Madam LIN TONG (林彤) for the sum of HK\$4,747,254.03. The case has been adjourned sine die.

On the same subject matter, Madam LIN TONG (林彤) through her legal representatives in Cayman Islands issued a Statutory Demand on 28 October 2021 to the Company's registered address in the Cayman Islands. Then on 13 December 2021, a winding up petition was issued out of the Grand Court of the Cayman Islands and returnable on 3 March 2022, under which the said LIN TONG petitioned to wind up the Company unless the amount HK\$4,942,814.80 was paid. The Company then settled the matter with the Petitioner, and the winding up petition had been withdrawn by the consent of the parties on or about 2 March 2022.

(v) **HCCW 115 of 2022**

On 25 April 2022, the Company received a petition (“**Petition**”) filed by Ms. Yan Huijuan (“**Petitioner**”) for an order that the Company may be wound up by the High Court of the Hong Kong Special Administrative Region (the “**High Court**”) 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\$5,251,773.03. The Petition was heard before the High Court on 6 July 2022 and 3 August 2022, and was adjourned to 9:30 a.m. on 7 September 2022. Details of the Petition were disclosed in the announcements of the Company dated 25 April 2022, 29 April 2022, 6 July 2022 and 3 August 2022.

(vi) **(2021) Su 0707 Caibao No. 139, (2021) Su 0707 Minchu No. 7708 and (2021) Su 07 Minzhong No. 1478**

On 31 August 2020, the Company’s subsidiary, Lianyungang Huajin Huahong Industrial Co., Ltd. (連雲港華金華鴻實業有限公司) (“**Huajin Huahong**”) received a civil ruling (民事裁定書) issued on behalf of Jiangsu Pinpai Real Estate Co., Ltd. (江蘇品派置業有限公司) (“**Pinpai**”) under (2021) Su 0707 Caibao No. 139 ((2021)蘇0707財保139號). According to the civil ruling (民事裁定書), Pinpai being the plaintiff, requested to freeze the bank accounts of Huajin Huahong. In addition, according to the civil judgment (民事判決書) under (2021) Su 0707 Minchu No. 7708 ((2021)蘇0707民初7708號), the court ordered Huajin Huahong to pay RMB1,556,545.50 as service provider of advertising and promotion, and e-commerce; and commission together with the interest thereon to Pinpai. Huajin Huahong appealed to the Lianyungang Intermediate Court for retrial under (2021) Su 07 Minzhong No. 1478 ((2021)蘇07民終1478號). According to the civil mediation (民事調解書), the parties reached a full and final settlement by paying RMB1,300,000 by Huajin Huahong to Pinpai.

(vii) (2021) Yue 0304 Minchu No. 13651, (2021) Yue 03 Minzhong No. 23004 and (2022) Yue Minshen No. 4179

On 26 May 2021, the Company's subsidiary, Shenzhen Beidahuang Green Food Distribution Ltd. ("**Green Food**") (深圳北大荒綠色食品配送有限公司) received a civil judgment (民事判決書) issued on behalf of Shenzhen Zhongdun United Investment Technology Co., Ltd. (深圳中盾聯投科技有限公司) ("**Zhongdun**") under (2021) Yue 0304 Minchu No. 13651 ((2021)粵0304民初13651號). According to the civil judgment (民事判決書), Zhongdun being the plaintiff, requested to (i) cancellation of contract no. 20200403– 002 "Rice Sales Contract"; (ii) return the contract deposit of RMB3,400,000 to Zhongdun; (iii) pay the interest of the above deposit of RMB3,400,000; and (iv) bear all litigation costs. The case has been appealed to the Shenzhen Intermediate People's Court of Guangdong Province and on 25 October 2021, Green Food received a civil judgment under (2021) Yue 03 Minzhong No. 23004 ((2021)粵03民終23004號). According to the civil judgment, (a) the issue in (i) above being upheld; (b) the issue in (iii) above being cancelled; (c) referring to the issue in (ii) above, Green Food has to return RMB760,000 together with interest to Zhongdun; and (d) reject the issue in (iv) above. Both Green Food and Zhongdun have applied to the Higher People's Court of Guangdong Province for retrial under (2022) Yue Minshen No. 4179 ((2022)粵民申4179號) but the appeal was dismissed by the Higher People's Court of Guangdong Province on 12 July 2022.

ACTION PLAN TO ADDRESS THE DISCLAIMER IN 2021 ANNUAL REPORT

Details of the action plan of the Group to address the Disclaimer in 2021 Annual Report

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Disclaimer in 2021 Annual Report, the Company had taken and intends to continue to implement the measures to mitigate the liquidity pressure and to improve its cash flows, including:

- (i) Continuing our ongoing efforts in convincing the holders of the Defaulted Secured Bonds not to take any actions against the Group for immediate payment of the principals and interest;

- (ii) Continuing our ongoing efforts in convincing the holders of the Defaulted Unsecured Bonds not to take any actions against the Group for immediate payment of the principals and interest;
- (iii) Continuing our ongoing efforts in convincing the holders of the Defaulted Construction Payables not to take any actions against the Group for immediate repayment of the debts and penalties;
- (iv) Continuing our ongoing efforts in extension the bank and other borrowings upon maturity;
- (v) Management is endeavoring to improve the Group's operating results and cash flows through various cost control measures and will focus on the existing business;
- (vi) The Group may consider to dispose non-financial assets and properties if required;
- (vii) A 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 the date of approval of the 2022 Interim Report; and
- (viii) The Company is negotiating 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.

The management and the Directors believe that the current action plans are the most commercially practicable plans and measures in addressing the Group's liquidity matters and going concern. The management and the Directors will focus on the current action plans and the implementation thereof, while keeping viable options open as they continue their efforts in addressing the going concern issue and Disclaimer in 2021 Annual Report.

In addition to the information disclosed above, the Company has implemented/will implement the following to mitigate the liquidity pressure and to improve cash flows with the view to removing the Disclaimer on the Group's ability to continue as a going concern:

- (a) In May 2022, the Company engaged an independent professional adviser to assist the Company in negotiating with the creditors of the Company, assessing the financial position of the Group and formulating a holistic proposal (the “**Proposal**”) with the creditors, containing proposals targeted to improve the Group's liquidity and financial position such as revised repayment schedule, finance cost saving measures and/or re-financing by new or renewed loans and/or equity. The Company will take into account the interest of the relevant stakeholders and ensure compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and all applicable laws as regards the implementation of such Proposal. It is currently expected that the Proposal negotiation with the Company's creditors in September to October 2022 and subject to the initial feedback of the creditors, be submitted to the Court having jurisdiction (where applicable), shareholders and creditors' approval in the second half of 2022 or early 2023. In particular, the Company has been in ongoing negotiation with representatives of the bondholders in default and is cautiously optimistic with the outcome of such negotiations and proposals. If the Company succeeds in such negotiations and proposals, it is hoped that the Company's creditors should be prepared to withhold or postpone the demand of immediate payment and/or the taking of legal actions against the Group. The engagement of the independent professional adviser has been terminated in August 2022 and the Company will engage another independent professional adviser very soon.
- (b) The Company had plans to implement other cost-cutting measures on operating level in the second half of 2022, when the COVID-19 pandemic situation and economic sentiment in the PRC are expected to improve or stabilize.
- (c) The Company's management had plans to launch more proactive marketing strategies to accelerate the disposals of its properties for sale, such as the offer of discounts to buyers and commissions to agencies. Apart from the properties for sale, the Company may also consider re-assessing its holding strategy and intention of its investment properties. These measures are planned to be implemented in the second half of 2022, when the COVID-19 pandemic situation and economic sentiment in the PRC are expected to improve or stabilize.

- (d) While the Company has received indication of financial support from its shareholder, it intends to adopt other measures, such as the Proposal mentioned above and the Equity Fund-raising and the Loan Application as mentioned below, to reduce the Company's reliance on shareholders' financial support in the longer run.
- (e) The Company has been in negotiation with an investor and a financial institution who indicated preliminary interest in conducting best-effort share placing and/or underwriting a rights issue of the Company (collectively, the "**Equity Fund-raising**") with an indicative fund-raising size of HK\$120 million or above. The Company is hopeful for the materialization of its equity fund-raising efforts in the fourth quarter of 2022 or the first quarter of 2023.
- (f) In addition, the Company currently has plans to apply for loan facility(ies) from bank(s) in the amount of RMB100 million or above (the "**Loan Application**").

If the measures are successfully implemented, the cash flow and financial position of the Group are expected to improve significantly before the issue of audit report for the Company's financial statements for the year ending 31 December 2022 ("**2022 FS**"). The Board and the Audit Committee are therefore of the view that the successful implementation of the measures will help to improve the Group's going concern and address the reasons leading to the Disclaimer to a material extent, barring unforeseen circumstances.

The Company's auditors are aware of the Company's plans to improve its going concern, and have not expressed any objection to the views of the Board and the Audit Committee. If the measures can result in the reduction of liabilities, an extended repayment timetable and the strengthening of the Company's asset base, it is possible that the Disclaimer on going concern may be removed for the 2022 FS, barring unforeseen circumstances.

The Company emphasizes that the Proposal, the Equity Fund-raising and the Loan Application are merely in negotiation, and no binding agreement has been reached with any creditor, investor and/or financier up to now. Further announcements will be made on any material development in relation to the Proposal and/or the Equity Fund-raising if any disclosure obligations are triggered under the Listing Rules or otherwise.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022.

REVIEW OF INTERIM RESULTS

The interim results of the Group for the six months ended 30 June 2022 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 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 2022.

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 Part 2 of Appendix 14 to the Listing Rules throughout the six months ended 30 June 2022, except for the deviations disclosed as follows:

1. In respect of code provision C.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. 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. During the period from 1 January 2022 to 27 January 2022, Mr. Li Jiehong was the Chairman of the Board. Mr. Jiang Jianjun and Mr. Zhao Wanjiang were appointed as the Chairman and the Vice-chairman of the Board respectively with effect from 28 January 2022. 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.
2. In respect of code provision F.2.2 of the CG Code, the chairman of the board should attend the annual general meeting. Mr. Jiang Jianjun, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 27 June 2022 in person due to government measures on travel restrictions caused by COVID-19 outbreak.

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
Jiang Jianjun
Chairman

Hong Kong, 31 August 2022

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun (Chairman), Mr. Ke Xionghan and Mr. Chen Chen; the Non-executive Directors are Mr. Zhao Wanjiang (Vice-chairman), Ms. Ho Wing Yan and Mr. Li Dawei; and the Independent Non-executive Directors are Mr. Chong Cha Hwa, Mr. Yang Yunguang and Mr. Chen Zhifeng.