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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of China Beidahuang Industry Group Holdings Limited (the “**Company**”) announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 together with the comparative figures for 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	4	859,095	779,305
Cost of sales		(715,424)	(666,373)
Gross profit		143,671	112,932
Other income, gains or losses	5	10,935	40,327
Selling and distribution expenses		(19,861)	(18,407)
Administrative expenses		(85,046)	(100,249)
Profit from operation		49,699	34,603
Net allowance of expected credit loss		61,000	(177,991)
Other operating expense		(1,574)	(89,575)
Finance costs	6	(103,048)	(111,086)
Share of profit/(loss) of associates		1,960	(334)
(Loss)/gain on disposal of subsidiaries		(356)	2,490
Profit/(loss) before taxation	7	7,681	(341,893)
Taxation	8	(2,224)	984

	<i>Notes</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
PROFIT/(LOSS) FOR THE YEAR		5,457	(340,909)
Other comprehensive income/(expense) Items that may be reclassified subsequently to profit or loss:			
Release of exchange differences upon disposal of subsidiaries		(68)	825
Exchange differences arising on translation of foreign operations and associates		<u>41,480</u>	<u>(51,488)</u>
Total comprehensive income/(expense) for the year		<u>46,869</u>	<u>(391,572)</u>
Profit/(loss) attributable to:			
Owners of the Company		14,778	(291,072)
Non-controlling interests		<u>(9,321)</u>	<u>(49,837)</u>
		<u>5,457</u>	<u>(340,909)</u>
Total comprehensive income/(expense) attributable to:			
Owners of the Company		55,134	(339,652)
Non-controlling interests		<u>(8,265)</u>	<u>(51,920)</u>
		<u>46,869</u>	<u>(391,572)</u>
EARNINGS/(LOSS) PER SHARE	<i>10</i>		
– Basic and diluted (<i>in HK cents</i>)		<u>0.24</u>	<u>(4.94)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		63,394	75,010
Investment properties		426,959	395,602
Right-of-use assets		783,552	748,469
Rental deposits paid		3,849	10,263
Goodwill		36,751	34,646
Other intangible assets		9,315	62,990
Interests in associates		287,194	278,734
		1,611,014	1,605,714
CURRENT ASSETS			
Inventories		66,560	48,393
Properties for sale		287,046	202,813
Trade receivables	<i>12</i>	107,961	96,681
Loan receivables	<i>11</i>	354,125	360,038
Prepayments, deposits and other receivables		522,852	537,387
Financial assets at fair value through profit or loss		–	33,857
Pledged deposits		18,857	47,777
Cash and cash equivalents		26,115	79,995
		1,383,516	1,406,941
CURRENT LIABILITIES			
Trade and bills payables	<i>13</i>	105,668	173,506
Other payables and accruals		84,214	172,324
Contract liabilities		181,485	85,200
Bank and other borrowings		393,024	541,962
Amounts due to related parties		3,678	6,639
Tax payable		8,936	1,823
Lease liabilities		127,806	105,289
Convertible bonds		108,222	–
		1,013,033	1,086,743

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NET CURRENT ASSETS	<u>370,483</u>	<u>320,198</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,981,497</u>	<u>1,925,912</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	22,711	43,896
Lease liabilities	<u>688,113</u>	<u>652,760</u>
Total non-current liabilities	<u>710,824</u>	<u>696,656</u>
Net assets	<u><u>1,270,673</u></u>	<u><u>1,229,256</u></u>
EQUITY		
Equity attributable to owners of the Company		
Share capital	622,513	622,513
Reserves	<u>662,686</u>	<u>606,824</u>
	1,285,199	1,229,337
Non-controlling interests	<u>(14,526)</u>	<u>(81)</u>
Total equity	<u><u>1,270,673</u></u>	<u><u>1,229,256</u></u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2020

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622) relating to the preparation of consolidated financial statements.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Going concern basis

As at 31 December 2020, the Group had default payments included; i) default secured bond of approximately HK\$109,000,000 to secured bondholder with interest of approximately HK\$21,800,000 (the “**Default Secured Bond**”); ii) default unsecured bonds HK\$82,300,000 to the unsecured bondholders with interest of approximately HK\$6,050,000 (The “**Default Unsecured Bond**”). In addition, the Group had outstanding bank and other borrowings and convertible bonds of approximately HK\$169,533,000 and HK\$108,222,000 respectively which were due for repayment or renewal in the next twelve months after 31 December 2020.

However, the Group’s cash and cash equivalents of approximately HK\$26,115,000 and the financial resources available to the Group as at 31 December 2020 may not be sufficient to repay the Default Secured Bond and Default Unsecured Bond. In preparing the 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 consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1) *Existing business*

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

2) *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 Default Unsecured Bond will not be recalled until agreeing the new terms by the Group and the secured bondholders and unsecured bondholders. Up to the date of this announcement, approximately HK\$35,700,000 of the Default Unsecured Bond has been successfully extended.

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

The Group may consider to dispose non-financial assets or property for sales if required.

4) *Financial support*

A 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 consolidated financial statement.

5) *Necessary facilities*

Up to the date of this announcement, the Group had credit facilities of a total amount of HK\$150,000,000 granted by finance companies which are independent third parties.

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 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 consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and Amendments to HKFRSs that are mandatory effective for the current year

In the current year, the Group has applied the Amendments to Reference to Conceptual Framework in HKFRSs and the following HKFRSs issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020:

Amendments HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performances for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform– Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Costs to fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvement to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial position and results of the Group in the foreseeable future.

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 rental segment is engaged in the leasing of logistic facilities in Hong Kong and office facilities in the People's Republic of China ("PRC");
- (e) the financial leasing segment is engaged in the provision of financial leasing services; and
- (f) the mineral products segment is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products.

The 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.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude bank and other borrowings, amounts due to related parties and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

	Wine and liquor HK\$'000	Trading of food products HK\$'000	Construction and development HK\$'000	Rental HK\$'000	Financial leasing HK\$'000	Mineral products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2020								
Segment revenue:								
Sales to external customers	645	432,223	-	256,876	13,841	155,510	-	859,095
Revenue from contracts with customers								
Timing of revenue recognition								
At a point in time	645	432,223	-	-	-	155,510	-	588,378
Revenue from other sources	-	-	-	256,876	13,841	-	-	270,717
Other gains or (losses)	-	1,651	-	4,302	2,057	545	-	8,555
Other operating income/(expenses)	-	(994)	12	(25)	69,219	(8,566)	-	59,646
	<u>645</u>	<u>432,880</u>	<u>12</u>	<u>261,153</u>	<u>85,117</u>	<u>147,489</u>	<u>-</u>	<u>927,296</u>
Segment results	(487)	3,851	12	12,613	74,154	27,049	-	117,192
<i>Reconciliation:</i>								
Interest income								1,210
Unallocated other operating income or loss								3,130
Corporate and other unallocated expenses								(10,447)
Finance costs								(103,048)
Loss on disposal of subsidiaries								(356)
Profit before taxation								7,681
Taxation								(2,224)
Profit for the Year								<u>5,457</u>
Segment assets	99,498	401,154	342,106	1,207,050	356,019	308,325	-	2,714,152
<i>Reconciliation:</i>								
Elimination of intersegment receivables								(961,426)
Corporate and other unallocated assets								1,241,804
Total assets								<u>2,994,530</u>
Segment liabilities	36,432	323,351	116,387	921,935	113,036	80,280	-	1,591,421
<i>Reconciliation:</i>								
Elimination of intersegment payables								(961,426)
Corporate and other unallocated liabilities								1,093,862
Total liabilities								<u>1,723,857</u>
Other segment information								
Share of profit of associates	-	-	-	-	-	-	1,960	1,960
Loss on disposal of subsidiaries	-	-	-	-	-	-	(356)	(356)
Net allowance for expected credit losses (recognised)/reversal on trade receivables	-	-	-	172	-	3,456	-	3,628
Net allowance for expected credit losses (recognised)/reversal on other receivables	-	(994)	12	(197)	67,450	(12,022)	2,327	56,576
Net allowance for expected credit losses (recognised)/reversal on loan receivables	-	-	-	-	1,769	-	(973)	796
Impairment loss on intangible assets	-	-	-	-	-	-	(1,574)	(1,574)
Depreciation and amortisation	(1,768)	(531)	(64)	(160,761)	(364)	(2,866)	(617)	(166,971)
Interests in associates	-	-	-	-	-	-	287,194	287,194
Capital expenditure*	-	-	-	4	2,085	492	-	2,581
Fair value loss on disposal of financial assets at fair value through profit or loss	-	-	-	-	-	-	(122)	(122)
Fair value gain on investment properties	-	-	-	4,804	-	-	-	4,804

* *Capital expenditure consists of additions of property, plant and equipment and investment properties.*

	Wine and liquor HK\$'000	Trading of food products HK\$'000	Construction and development HK\$'000	Rental HK\$'000	Financial leasing HK\$'000	Mineral products HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2019								
Segment revenue:								
Sales to external customers	4,878	388,180	–	238,550	9,559	138,138	–	779,305
Revenue from contracts with customers								
Timing of revenue recognition								
At a point in time	4,878	388,180	–	–	–	138,138	–	531,196
Revenue from other sources	–	–	–	238,550	9,559	–	–	248,109
Other gains or (losses)	298	1,734	–	24,614	89	809	–	27,544
Other operating expenses	(983)	(15,136)	(15)	(13,172)	(87,108)	(6,687)	–	(123,101)
	<u>4,193</u>	<u>374,778</u>	<u>(15)</u>	<u>249,992</u>	<u>(77,460)</u>	<u>132,260</u>	<u>–</u>	<u>683,748</u>
Segment results	(3,580)	(12,804)	(15)	(39,478)	(85,894)	8,378	–	(133,393)
<i>Reconciliation:</i>								
Interest income								4,116
Unallocated other operating income or loss								8,667
Corporate and other unallocated expenses								(112,687)
Finance costs								(111,086)
Gain on disposal of subsidiaries								2,490
Loss before taxation								(341,893)
Taxation								984
Loss for the Year								<u>(340,909)</u>
Segment assets								
	137,519	341,553	236,305	1,185,513	408,618	225,893	–	2,535,401
<i>Reconciliation:</i>								
Elimination of intersegment receivables								(793,717)
Corporate and other unallocated assets								1,270,971
Total assets								<u>3,012,655</u>
Segment liabilities								
	48,884	307,528	56,704	944,702	172,622	80,448	–	1,610,888
<i>Reconciliation:</i>								
Elimination of intersegment payables								(793,717)
Corporate and other unallocated liabilities								966,228
Total liabilities								<u>1,783,399</u>
Other segment information								
Share of loss of associates	–	–	–	–	–	–	(334)	(334)
Gain on disposal of subsidiaries	–	–	–	–	–	–	2,490	2,490
Allowance for expected credit losses recognised on trade receivables	–	(14,358)	–	(1,276)	–	(4,046)	–	(19,680)
Allowance for expected credit losses recognised on other receivables	(983)	(778)	(15)	(32)	(67,498)	(2,641)	(66,754)	(138,701)
Allowance for expected credit losses recognised on loan receivables	–	–	–	–	(19,610)	–	–	(19,610)
Impairment loss on goodwill	–	–	–	(11,864)	–	–	–	(11,864)
Impairment loss on intangible assets	–	–	–	–	–	–	(42,370)	(42,370)
Impairment loss on property, plant and equipment	–	–	–	–	–	–	(35,341)	(35,341)
Depreciation and amortisation	(1,765)	(1,726)	(64)	(155,187)	(393)	(2,826)	(210)	(162,171)
Interests in associates	–	–	–	–	–	–	278,734	278,734
Capital expenditure*	–	–	11,697	2,434	108	677	–	14,916
Fair value gain on financial assets at fair value through profit or loss	–	–	–	–	–	–	7,055	7,055
Loss on disposal of a investment property	–	–	–	(120)	–	–	–	(120)
Fair value gain on investment properties	–	–	–	6,152	–	–	–	<u>6,152</u>

* *Capital expenditure consists of additions to property, plant and equipment, investment properties and assets arising from acquisition of subsidiaries.*

Geographical information

Over 90% of the Group's customers are located in Mainland China and revenue of the Group is mainly derived from operations in Mainland China. The management considers that it is impracticable to allocate the assets, revenue and segment results to geographical locations.

Information about a major customer

During the Year, there has one external customer related to trading of food products segment that contributed revenue of approximately HK\$203,277,000 that accounted for more than 10% of the Group's total revenue (2019: HK\$143,438,000).

4. REVENUE

The Group's revenue represents by wine and liquor, trading of food products, rental, financial leasing and mineral products. Except for rental and finance leasing, all contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Disaggregation of revenue from contracts with customers

An analysis of revenue by types of goods and services as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue from contracts with customers		
Wine and liquor	645	4,878
Trading of food products	432,223	388,180
Mineral products	155,510	138,138
	<hr/>	<hr/>
Total revenue recognised at point in time	588,378	531,196
Revenue from other sources		
Rental	256,876	238,550
Financial leasing	13,841	9,559
	<hr/>	<hr/>
	859,095	779,305
	<hr/> <hr/>	<hr/> <hr/>
Time of revenue recognition		
At a point in time	588,378	531,196
Over time	–	–
	<hr/>	<hr/>
	588,378	531,196
	<hr/> <hr/>	<hr/> <hr/>
Geographic market:		
The PRC	798,287	718,059
Hong Kong	60,808	61,246
	<hr/>	<hr/>
	859,095	779,305
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME, GAINS OR LOSSES

An analysis of other income, gains or losses is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other income, gains or (losses)		
Compensation income	–	18,582
Interest income	1,210	4,116
Government grant (<i>Note</i>)	1,007	176
Fair value gain on investment properties	4,804	6,152
Fair value gain on financial assets at fair value through profit or loss	–	7,055
Gain on disposal of right-of-use assets	207	–
Loss on disposal of an investment property	–	(120)
Loss on disposal of financial assets at fair value through profit or loss	(122)	–
Others	3,829	4,366
	<u>10,935</u>	<u>40,327</u>

Note:

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

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on bank and other borrowings		
– wholly repayable within five years	47,165	44,633
Interest expense on lease liabilities	53,272	54,930
Effective interest expenses on convertible bonds	2,611	11,523
	<u>103,048</u>	<u>111,086</u>

7. PROFIT/(LOSS) BEFORE TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Cost of inventories recognised as an expenses	456,715	490,187
Depreciation of property, plant and equipment	13,222	18,509
Depreciation of right-of-use assets	143,113	132,904
Amortisation of other intangible assets	10,636	10,758
Expenses related to short term lease and low value assets	5,027	16,711
Gross rental income	(256,876)	(238,550)
<i>Less:</i> Direct operating expenses that generated rental income during the year	166,593	171,396
	(90,283)	(67,154)
Auditors' remuneration	1,250	1,250
Employee benefit expense (including directors' emoluments):		
Wages and salaries	9,268	14,211
Pension scheme contributions	467	1,023
Other expenses/(income):		
Fair value gain on financial assets at fair value through profit or loss	–	(7,055)
Loss on disposal of financial assets at fair value through profit or loss	122	–
Net allowance for expected credit losses (reversal)/recognised on trade receivables	(3,628)	19,680
Net allowance for expected credit losses (reversal)/recognised on loan receivables	(796)	19,610
Net allowance for expected credit losses (reversal)/recognised on other receivables	(56,576)	138,701
Impairment loss on goodwill*	–	11,864
Impairment loss on intangible assets*	1,574	42,370
Impairment loss on property, plant, and equipment*	–	35,341

* *Items included in other operating expenses*

8. TAXATION

Under the prevailing tax law in the PRC, the Enterprise Income Tax rate of the Company and the subsidiaries is 25% (2019: 25%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment.) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
– Hong Kong	763	–
– PRC Enterprise Income Tax	<u>6,049</u>	<u>397</u>
	<u>6,812</u>	<u>397</u>
Deferred tax	<u>(4,588)</u>	<u>(1,381)</u>
Total tax expense/(credit) for the year	<u><u>2,224</u></u>	<u><u>(984)</u></u>

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based in the following data:

Earnings/(loss)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings/(loss) for the purpose of basic and diluted earnings/(loss)per share	<u><u>14,778</u></u>	<u><u>(291,072)</u></u>

Number of Shares

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share	<u>6,225,126</u>	<u>5,890,531</u>

The basic and diluted earnings/(loss) per share are the same for years ended 31 December 2020 and 2019 as the effect of the Group's convertible bonds and share options were anti-dilutive.

11. LOAN RECEIVABLES

An aged analysis of the loan receivables as at the end of the reporting period is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	2,599	14,465
31 to 60 days	31,777	26,864
61 to 90 days	36,492	21,385
91 to 180 days	85,579	106,641
181 to 365 days	98,615	113,398
Over 365 days	<u>122,186</u>	<u>101,251</u>
	377,248	384,004
<i>Less:</i> Allowance for expected credit losses	<u>(23,123)</u>	<u>(23,966)</u>
	<u>354,125</u>	<u>360,038</u>

12. TRADE RECEIVABLES

Trade receivables are mainly arisen from sale of goods, and rental income derived from rental business.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	15,293	16,329
1 to 2 months	22,040	22,265
2 to 3 months	33,698	38,298
Over 3 months	<u>55,240</u>	<u>41,922</u>
	126,271	118,814
<i>Less: Allowance for expected credit losses</i>	<u>(18,310)</u>	<u>(22,133)</u>
	<u><u>107,961</u></u>	<u><u>96,681</u></u>

Included in the trade receivables consist of rental receivables. The aging analysis of the Group's rental receivables are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 30 days	<u><u>3,604</u></u>	<u><u>4,928</u></u>

13. TRADE AND BILLS PAYABLES

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	7,608	35,292
1 to 2 months	10,483	33,749
2 to 3 months	4,945	1,748
Over 3 months	<u>1,464</u>	<u>1,100</u>
	24,500	71,889
Bills payable	<u>81,168</u>	<u>101,617</u>
	<u>105,668</u>	<u>173,506</u>

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2019: 30-day terms).

As at 31 December 2020, bills payable of approximately HK\$81,168,000 (2019: HK\$101,617,000) were secured by the pledged deposits of the Group.

All the trade payables and bills payable are denominated in Renminbi.

EXTRACT OF THE AUDITORS' REPORT

The following is an extract of the independent auditor's report on the Group's annual financial statements for the year ended 31 December 2020:

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty related to going concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that as of 31 December 2020, the Group had default payments included; i) default secured bond of approximately HK\$109,000,000 to secured bondholder with interest of approximately HK\$21,800,000 (the “Default Secured Bond”); ii) default unsecured bonds HK\$82,300,000 to the unsecured bondholders with interest of approximately HK\$6,050,000 (The “Default Unsecured Bond”). In addition, the Group had outstanding bank and other borrowings and convertible bonds of approximately HK\$169,533,000 and HK\$108,222,000 respectively which were due for repayment or renewal in the next twelve months after 31 December 2020. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

GOING CONCERN BASIS

As at 31 December 2020, the Group had default payments included; i) default secured bond of approximately HK\$109,000,000 to secured bondholder with interest of approximately HK\$21,800,000 (the “**Default Secured Bond**”); ii) default unsecured bonds HK\$82,300,000 to the unsecured bondholders with interest of approximately HK\$6,050,000 (The “**Default Unsecured Bond**”). In addition, the Group had outstanding bank and other borrowings and convertible bonds of approximately HK\$169,533,000 and HK\$108,222,000 respectively which were due for repayment or renewal in the next twelve months after 31 December 2020.

However, the Group’s cash and cash equivalents of approximately HK\$26,115,000 and the financial resources available to the Group as at 31 December 2020 may not be sufficient to repay the Default Secured Bond and Default Unsecured Bond. In preparing the 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 consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

1) Existing business

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

2) 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 Default Unsecured Bond will not be recalled until agreeing the new terms by the Group and the secured bondholders and unsecured bondholders. Up to the date of this announcement, approximately HK\$35,700,000 of the Default Unsecured Bond has been successfully extended.

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

The Group may consider to dispose non-financial assets or property for sales if required.

4) *Financial support*

A 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 consolidated financial statement.

5) *Necessary facilities*

Up to the date of this announcement, the Group had credit facilities of a total amount of HK\$150,000,000 granted by finance companies which are independent third parties.

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 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 consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the year ended 31 December 2020 (“Year”), the Group’s revenue amounted to approximately HK\$859.10 million (2019: HK\$779.31 million), representing an increase of 10.24% over last year. Gross profit of the Group was approximately HK\$143.67 million (2019: HK\$112.93 million). The profit (net of tax) was approximately HK\$5.46 million (2019: Loss (net of tax) was HK\$340.91 million). The turnaround from net loss to net profit was mainly attributable to the effects of an increase in revenue and the reversal of expected credit loss during the Year. Earnings per share for the Year was HK0.24 cents (2019: Loss per share was HK4.94 cents).

The Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group’s business both organically and through acquisitions when appropriate opportunities arise. The Group considered the business mix has been diversified during the past few years. The Group will focus on the existing businesses and will expand by self-development and investing in similar business. Investments would be carefully selected among all the choices we explored and would be operated with experienced business partners.

Segmental Information

Wine and Liquor Business

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

During the Year, the wine and liquor business recorded a revenue of approximately HK\$0.65 million (2019: HK\$4.88 million), down 86.78% when compared with the last year and accounted for 0.08% (2019: 0.63%) of the total revenue. The sales decreased because the Group focused less on this business segment. The Group will keep to explore new customers but expects the sales will contribute a small portion to the Group’s revenue in the future.

Trading of Food Products Business

Trading of food products business recorded a revenue of approximately HK\$432.22 million (2019: HK\$388.18 million), accounted for 50.31% (2019: 49.81%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$5.70 million (2019: HK\$6.06 million).

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 pre-sale permit of phase one of the Seafood Food City was also obtained and sales of the properties in that project started in the second half of 2019. However, the outbreak of novel 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 second half of 2021.

Rental Business

The rental business was engaged in the leasing of logistic facilities in Hong Kong and office facilities in the PRC. This business recorded a revenue of approximately HK\$256.88 million (2019: HK\$238.55 million), accounted for 29.90% (2019: 30.61%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$94.87 million (2019: HK\$67.15 million). After few years of development, this segment becomes 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\$13.84 million (2019: HK\$9.56 million), accounted for 1.61% (2019: 1.23%) of the total revenue. Gross profit of this business segment for the Year was approximately HK\$12.16 million (2019: HK\$15.57 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\$155.51 million (2019: HK\$138.14 million) and accounted for 18.10% (2019: 17.72%) of the total revenue. The Group expects the market of this business will remain fine and the revenue contributed by this segment will represent a larger portion of the Group's revenue. Gross profit of this business segment for the Year was approximately HK\$30.94 million (2019: HK\$30.16 million).

Business Prospects

The Group will continue to expand its existing businesses by developing its core business segments. The Group will also look for and invest other potential businesses and related profitable businesses.

Memorandum of Understanding

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

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

* *For identification purposes only*

According to the Memorandum, the Parties will proceed with further negotiation for the entering into the formal agreement in respect of the Possible Acquisition within six months from the date of the Memorandum, or such other date as may be agreed by the Parties. The Parties will negotiate to enter into a definitive cooperation agreement upon the commencement of the Possible Cooperation. The Memorandum expired on 19 September 2020 and after that date and up to the date of this announcement, the Parties have not reached any formal agreement in respect of the Possible Acquisition.

Business Co-operations

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

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

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

* *For identification purposes only*

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

- (ii) On 7 September 2020,, the Company entered into a strategic cooperation framework agreement (the “**Framework Agreement**”) with 成都米耕香農業有限公司 (Chengdu Mi Geng Xiang Agricultural Industry Co., Ltd.*) (“**Chengdu Mi Geng Xiang**”, together with the Company, the “**Parties**”) in respect of, among other things, the proposed cooperation with Chengdu Mi Geng Xiang in the trading of food products (the “**Proposed Cooperation**”).

According to the Framework Agreement, the Parties may negotiate to enter into supplemental agreements in respect of the Proposed Cooperation (including the establishment of joint venture) under the Framework Agreement, details of which were disclosed in the announcement of the Company dated 7 September 2020. However, the Parties have not yet reached any definitive agreement up to the date of this announcement.

- (iii) 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 agree 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 Cooperation Agreement were disclosed in the announcement of the Company dated 24 February 2021.

* For identification purposes only

Financial Review

Revenue

The Group achieved a revenue of approximately HK\$859.10 million (2019: HK\$779.31 million), representing an increase of 10.24% over last year. Gross profit of the Group was approximately HK\$143.67 million (2019: HK\$112.93 million). The profit (net of tax) was HK\$5.46 million (2019: Loss (net of tax) was HK\$340.91 million).

Selling and Distribution Expenses

Selling and distribution expenses were approximately HK\$19.86 million (2019: HK\$18.41 million), representing an increase of 7.88% from last year and 2.31% (2019: 2.36%) of the Group's revenue.

Administrative Expenses

Administrative expenses were approximately HK\$85.05 million (2019: HK\$100.25 million), representing a decrease of 15.16% from last year. The decrease was mainly due to the Group's continuous control the costs through simplifying and combining the structure of the subsidiaries of similar business.

Finance Costs

Finance costs were approximately HK\$103.05 million (2019: HK\$111.09 million), representing a decrease of 7.24% from last year and 11.99% of the Group's revenue.

Prepayments, Deposits and Other Receivables

Included in prepayments, deposits and other receivables, there were trade deposits of HK\$239.36 million (2019: HK\$196.26 million) paid for food products and mineral products. The amounts of approximately HK\$24.22 million (2019: HK\$50.55 million) were the progress payments for the investment targets. HK\$37.08 million (2019: HK\$34.37 million) was paid as rental deposit for the rental business.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2020, 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 year ended 31 December 2020. 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 31 December 2020, the Group had net assets to owners of the parent of approximately HK\$1,285.20 million (2019: HK\$1,229.34 million). Net current assets of the Group as at 31 December 2020 amounted to approximately HK\$370.48 million (2019: HK\$320.20 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.37 (2019: 1.29).

The Group's unpledged cash and cash equivalents as at 31 December 2020 amounted to approximately HK\$26.12 million (2019: HK\$80 million), which were denominated in Hong Kong dollars and Renminbi, and the Group's pledged deposits as at 31 December 2020 amounted to approximately HK\$18.86 million (2019: HK\$47.78 million).

As at 31 December 2020, the Group's total bank and other borrowings amounted to approximately HK\$393.02 million (2019: HK\$541.96 million). All of the Group's bank and other borrowings were denominated in Renminbi and Hong Kong dollars. Included in bank and other borrowings, default payment for other borrowing of approximately HK\$191.30 million including the additional interest and penalty. The Company keeps negotiating with creditors of other borrowings for extension of repayment period.

The bank loans, other borrowings and amounts due to related parties are charged at fixed interest rates. The gearing ratio of the Group as at 31 December 2020 (calculated as net debt divided by equity attributable to owners of the parent plus net debt) was 33.58% (31 December 2019: 38.41%). The ratio was at reasonably adequate level as at 31 December 2020. Having considered the Group's current unpledged cash and cash equivalents, bank and other borrowings, banking facilities, possible fund raising and the business operation income, the management believes that the Group's financial resources are sufficient for its day-to-day operations and repayment of debts. The Group did not use financial instruments for financial hedging purposes during the Year.

The Group's business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. Fluctuations in Renminbi may impact the Group's results and net assets value as the Group's consolidated financial statements are presented in Hong Kong dollars. The Group's treasury policy is to manage its foreign currency exposure only when its potential financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, utilize hedging tools, if available, to manage its foreign currency exposure.

Charge on Assets and Contingent Liabilities

As at 31 December 2020, the deposit of HK\$18.86 million was pledged to banks to secure the Group's bills payable (2019: HK\$47.78 million).

The shares of two subsidiaries of the Company with net assets of HK\$23.76 million as at 31 December 2020 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\$308.43 million was pledged to the bank for the Group's borrowings.

Placing of Convertible Bonds Under General Mandate

- (i) On 20 July 2020, the Company entered into the placing agreement with the placing agent for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six placees to subscribe in cash for the convertible bonds in a maximum aggregate principal amount of up to HK\$123 million. However, as certain condition precedent to the placing agreement was not fulfilled, the placing agreement lapsed on 17 August 2020. Details of the placing agreement were disclosed in the announcements of the Company dated 20 July 2020, 10 August 2020 and 17 August 2020.
- (ii) On 9 October 2020, the Company entered into the placing agreement with the placing agent for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six placees to subscribe in cash for the convertible bonds in a maximum aggregate principal amount of up to HK\$123 million (“**Placing**”).

The completion of the Placing took place on 1 November 2020 and the convertible bonds of aggregate principals of HK\$111,100,000 were successfully issued by the Company to not less than six placees, being professional, institutional and other investors who are independent of and not connected with the Company or its connected persons procured by the placing agent in accordance with the terms and conditions of the placing agreement. Based on the initial conversion price of HK\$0.10 per conversion share, a maximum number of 1,111,000,000 shares may fall to be allotted and issued upon the exercise of the conversion rights attaching to the convertible bonds in full.

The gross and net proceeds from the Placing amounted to approximately HK\$111.10 million and HK\$109.10 million respectively. The net price for the Placing is approximately HK\$0.09820 per conversion share. The initial conversion price of HK\$0.10 per share represented a premium of approximately 42.9% over the closing price of HK\$0.07 per share as quoted on the Stock Exchange on the date of the placing agreement. The Company fully utilized the net proceeds from the Placing for redemption of the 2019 Convertible Bonds as intended.

Details of the above Placing were set out in the announcements of the Company dated 9 October 2020, 14 October 2020 and 2 November 2020.

Disposal of Subsidiary

On 27 November 2020, the Group entered into a sale and purchase agreement to dispose of its equity interest in 中山市水鄉旅遊開發有限公司 (Zhongshan Shuixiang Luyou Kaifa Company Limited*) to an independent third party for cash consideration of RMB16,800,000 (equivalent to approximately HK\$20,000,000). The disposal was completed on 22 December 2020. Upon completion of the disposal, the Group ceased to have any equity interest in 中山市水鄉旅遊開發有限公司. The Group recognised a loss of disposal of approximately HK\$356,000 as a result of the disposal.

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 of the Company. Pursuant to the Writ, Mr. Qu claims against the Company for the sum of HK\$6,069,000 being damages for the Company’s wrongful refusal of the issue of 2,500,000 shares of the Company to him upon his exercise of the share options. The proceedings are now at the interlocutory stage, and pending for further directions from the Court.
- (ii) On 15 August 2019, the Company received a winding up petition (“**Petition**”) filed by Mr. Qiu Zhen (“**Petitioner**”) for an order that the Company may be wound up by the High Court of the Hong Kong pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong). The Petition was filed against the Company for being unable to repay a debt of amount HK\$21,140,987. 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.

* For identification purposes only

- (iii) On 21 August 2019, the Company received a writ of summons issued on behalf of United Target Finance Company Limited (“**United Target**”) under HCA 1520 of 2019. According to the Statement of Claim, United Target being the plaintiff, claims against the Company for the sum of HK\$10,055,772.96. Our legal representatives filed an Acknowledgment of Service on 27 August 2019 and stated our intention to contest the proceedings. Subsequently, the parties reached full and final settlement and the action was wholly discontinued on 28 October 2020.
- (iv) On 28 August 2019, our legal representatives filed a Notice of Originating Summons to the Court (under HCMP 1348 of 2019) to apply to the Court to dispute a Statutory Demand dated 24 July 2019 issued on behalf of Madam FANG XIANGZAI (方香崽) for the sum of HK\$20,094,520.55. The case has been adjourned sine die.
- (v) On 24 October 2019, the Company received a writ of summons (under HCA 1948 of 2019) issued on behalf of Gemini Funds Limited for an order to direct the Company to deliver up the share certificate of 5,000,000 (Bonus) Shares issued in January 2016 and damages to be assessed. The said Gemini Funds Limited has also taken out an application for summary judgment against the Company returnable before a Master of the High Court on 9 April 2020. Our legal representative filed an Acknowledgment of Service on 6 November 2019, and the Company has filed a notice to the Court to oppose the application by the said Plaintiff to enter judgment against the Company. The hearing 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.
- (vi) Pursuant to the Petition under item (ii) above, the Company successfully obtained a Validation Order of the Court dated 17 January 2020, under which any transfer of the issued and fully paid up shares in the Company since 13 August 2019 shall not be avoided by s.182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) in the event of a winding-up order being made against the Company. The sealed copy order has been obtained, details of which were disclosed in the announcement of the Company dated 15 May 2020. 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.

- (vii) On 15 June 2020, the Company received a writ of summons issued on behalf of JIANG SHENGLI (姜胜利) (“JIANG”) under HCA 947 of 2020. According to the Statement of Claim, JIANG being the plaintiff, claims against the Company for the sum of HK\$15,700,000 and the bond interest. Our legal representatives filed an Acknowledgment of Service on 22 June 2020 and stated our intention to contest the proceedings. Subsequently, the parties reached full and final settlement and signed a Settlement Agreement on 25 March 2021. The action is expected to be discontinued by mid of April 2021.
- (viii) On 7 July 2020, the Company received a writ of summons issued on behalf of FANG XIANGZAI (方香崽) (“FANG”) under HCA 1128 of 2020. According to the Statement of Claim, FANG being the plaintiff, claims against the Company for the sum of HK\$30,575,000 and the agreement interest. Our legal representatives filed an Acknowledgment of Service on 22 July 2020 and stated our intention to contest the proceedings. The parties are under negotiation for settlement.
- (ix) The Company is aware that two civil litigations in relation to its cooperation contracts filed with the People’s Court of Qianhai Cooperation Zone, Guangdong Province against the Company have been closed, and the Company and the plaintiff entered into a settlement agreement on 28 June 2020 and a bank account of one of its subsidiaries which was frozen has been unfrozen.

Employees and Remuneration Policy

As at 31 December 2020, the Group had approximately 140 (2019: 157) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK\$9.7 million (2019: HK\$14.2 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.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2020 (2019: 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 year ended 31 December 2020.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2020 and up to the date of this announcement, save as disclosed as follows.

Deviation from Code Provision A.1.3 of the CG Code

Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Year, certain regular Board meetings were convened with less than 14 days’ notice to enable the Directors to react timely and make expeditious decisions in respect of transactions which were of significance to the Group’s business. As a result, the aforesaid regular Board meetings were held with a shorter notice period than required with no objection by the Directors. The Board will do its best endeavours to meet the requirement of code provision A.1.3 of the CG Code in future.

Deviation from Code Provision A.2.1 of the CG Code

Code provision A.2.1 of the CG Code requires that 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 the 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 A.6.5 of the CG Code

Code provision A.6.5 of the CG Code requires that all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. The Company did not receive the training records for the year ended 31 December 2020 from Mr. Huang Wuguang and Mr. Ho Man Fai, both of them were former Directors.

Deviation from Code Provision E.1.2 of the CG Code

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. Mr. Li Jiehong, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 30 June 2020 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

Code provision E.1.5 of the CG Code requires that 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 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 June 2020 to 3 September 2020, the Company failed to meet the following requirements as a result of the resignation of Mr. Ho Man Fai as an independent non-executive Director on 22 June 2020:

- (a) at least three independent non-executive directors on the board of directors under Rule 3.10(1) of the Listing Rules;
- (b) the audit committee comprising a minimum of three members under Rule 3.21 of the Listing Rules;

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

On 4 September 2020, the Company appointed Mr. Zeng Jixiang and Mr. Yu Zicong as executive Directors and Mr. Liu Tao as independent non-executive Director. Following these appointments, the Company fully complied with the requirements under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

During the period from 22 January 2021 up to the date of this announcement, 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.

The Company has been making its best efforts to identify suitable person(s) for the above-mentioned outstanding positions to ensure that the vacancies be filled in as soon as possible and in any event within three months from 22 January 2021 for the purpose of compliance with the Listing Rules mentioned above, including the code provision of the CG Code.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF AUDITORS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited ("**HLB**"), to the amounts set out in the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2020. The work performed by HLB in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB on the preliminary results announcement.

EVENTS AFTER THE REPORTING PERIOD

Other than as disclosed in the Management Discussion and Analysis of this announcement, there is no material event after reporting period and up to the date of this announcement.

By Order of the Board
China Beidahuang Industry Group Holdings Limited
Li Jiehong
Chairman

Hong Kong, 30 March 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 and Mr. Yang Yunguang.