# 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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of China Beidahuang Industry Group Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 together with the comparative amounts for 2015 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2016*

| | Notes | 2016<br>HK$'000 | 2015<br>HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 3 | **654,843** | 785,700 |
| Cost of sales | | **(587,971)** | (775,079) |
| Gross profit | | **66,872** | 10,621 |
| Other income and gains | | **51,359** | 99,612 |
| Selling and distribution expenses | | **(7,338)** | (14,236) |
| Administrative expenses | | **(100,513)** | (108,057) |
| Profit/(loss) from operation | | **10,380** | (12,060) |
| Finance costs | 5 | **(6,933)** | (10,115) |
| Share of profit of associates | | **1,380** | 2,113 |
| (Loss)/gain on disposal of subsidiaries | | **(1,603)** | 624 |
| Profit/(loss) before tax | 4 | **3,224** | (19,438) |
| Income tax credit/(expenses) | 6 | **5,353** | (22,421) |
| Profit/(loss) from continuing operations | | **8,577** | (41,859) |
| **Discontinued operations** | | | |
| Profit from discontinued operations, net of tax | 7 | **–** | 56,751 |

| | Notes | **2016** **HK$'000** | 2015 HK$'000 |
|---|---|---|---|
| PROFIT FOR THE YEAR | | **8,577** | 14,892 |
| Other comprehensive loss | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Release of exchange differences upon disposal of subsidiaries | | **(227)** | (5,339) |
| Exchange differences arising on translation of foreign operations | | **(93,652)** | (44,643) |
| Total comprehensive loss for the year | | **(85,302)** | (35,090) |
| Profit/(loss) attributable to: | | | |
| Owners of the parent | | **7,218** | 19,412 |
| Non-controlling interests | | **1,359** | (4,520) |
| | | **8,577** | 14,892 |
| Total comprehensive (loss)/income attributable to: | | | |
| Owners of the parent | | **(85,326)** | (30,170) |
| Non-controlling interests | | **24** | (4,920) |
| | | **(85,302)** | (35,090) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | *9* | | |
| From continuing and discontinued operations | | **HK0.15 cents** | HK0.51 cents |
| From continuing operations | | **HK0.15 cents** | HK(0.98) cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2016*

| | Notes | 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **84,801** | 66,761 |
| Investment property | | **97,448** | 88,370 |
| Financial assets at fair value through profit or loss | | **63,997** | 76,252 |
| Loan receivables | | **31,798** | 13,700 |
| Rental deposit paid | | **20,592** | – |
| Goodwill | | **90,098** | 3,169 |
| Other intangible assets | | **136,863** | 2,271 |
| Interests in associates | | **322,684** | 276,276 |
| Total non-current assets | | **848,281** | 526,799 |
| **CURRENT ASSETS** | | | |
| Inventories | | **23,273** | 28,676 |
| Trade receivables | *10* | **35,582** | 11,835 |
| Amounts due from contract customers | | **78,707** | – |
| Prepayments, deposits and other receivables | | **266,080** | 205,852 |
| Due from non-controlling shareholders of subsidiaries | | **132** | 14,100 |
| Due from related parties | | **4,497** | 41,346 |
| Loan receivables | | **50,644** | 23,305 |
| Pledged cash | | **6,700** | – |
| Cash and cash equivalents | | **62,539** | 363,300 |
| Total current assets | | **528,154** | 688,414 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *11* | **120,016** | 5,708 |
| Other payables and accruals | | **149,115** | 57,500 |
| Interest-bearing bank and other borrowings | *12* | **83,837** | 105,643 |
| Due to related parties | | **–** | 12,781 |
| Tax payable | | **1,801** | 288 |
| Total current liabilities | | **354,769** | 181,920 |

| | 2016 | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **NET CURRENT ASSETS** | **173,385** | 506,494 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **1,021,666** | 1,033,293 |
| **NON-CURRENT LIABILITIES** | | |
| Deferred tax liabilities | **42,109** | 21,495 |
| Total non-current liabilities | **42,109** | 21,495 |
| Net assets | **979,557** | 1,011,798 |
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Issued capital | **467,160** | 233,664 |
| Reserves | **458,265** | 773,188 |
| | **925,425** | 1,006,852 |
| **Non-controlling interests** | **54,132** | 4,946 |
| Total equity | **979,557** | 1,011,798 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2016*

## 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**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments are stated at their fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

## 2. ADOPTION OF NEW OR AMENDED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

| | |
|---|---|
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**New and Amendments to HKFRSs Issued 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 9 | Financial Instruments[1] |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments[1] |
| HKFRS 16 | Leases[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[1] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1] |
| 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 7 | Disclosure Initiative[4] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[4] |

[1] *Effective for annual periods beginning on or after 1 January 2018.*
[2] *Effective for annual periods beginning on or after 1 January 2019.*
[3] *Effective for annual periods beginning on or after a date to be determined.*
[4] *Effective for annual periods beginning on or after 1 January 2017.*

## 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 ethanol segment is engaged in the production and sale of ethanol products and ethanol by-products (this segment was classified as discontinued operations);

(b) the wine and liquor segment is engaged in the sale and distribution of wine and liquor;

(c) the sales of green food products segment is engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food manufactured by Heilongjiang Beidahuang Agribusiness Group Corporation;

(d) the construction segment is engaged in the construction for municipal public projects;

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

(f) the money lending segment is engaged in the provision of money lending services.

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 interest-bearing 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$'000 | Sales of green food products HK$'000 | Construction HK$'000 | Rental HK$'000 | Money lending HK$'000 | Continuing operations HK$'000 | Discontinued operations HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | | | | | |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | 42,658 | 296,290 | 231,967 | 59,125 | 24,803 | 654,843 | – | 654,843 |
| Other revenue | 999 | 1,915 | – | 21,778 | 333 | 25,025 | – | 25,025 |
| | 43,657 | 298,205 | 231,967 | 80,903 | 25,136 | 679,868 | – | 679,868 |
| **Segment results** | 1,698 | 4,328 | 5,721 | 48,531 | 24,621 | 84,899 | – | 84,899 |
| *Reconciliation:* | | | | | | | | |
| Interest income | | | | | | 135 | – | 135 |
| Unallocated other operating income | | | | | | 26,199 | – | 26,199 |
| Corporate and other unallocated expenses | | | | | | (99,473) | – | (99,473) |
| Finance costs | | | | | | (6,933) | – | (6,933) |
| Loss on disposal of subsidiaries *(note 13)* | | | | | | (1,603) | – | (1,603) |
| Profit before tax | | | | | | 3,224 | – | 3,224 |
| Income tax credit | | | | | | 5,353 | – | 5,353 |
| Profit for the year | | | | | | 8,577 | – | 8,577 |
| **Segment assets** | 98,221 | 47,424 | 220,165 | 318,427 | 107,055 | 791,292 | – | 791,292 |
| *Reconciliation:* | | | | | | | | |
| Elimination of intersegment receivables | | | | | | (16,736) | – | (16,736) |
| Corporate and other unallocated assets | | | | | | 601,879 | – | 601,879 |
| Total assets | | | | | | 1,376,435 | – | 1,376,435 |
| **Segment liabilities** | 36,955 | 7,663 | 107,846 | 93,786 | 28,957 | 275,207 | – | 275,207 |
| *Reconciliation:* | | | | | | | | |
| Elimination of intersegment payables | | | | | | (16,736) | – | (16,736) |
| Corporate and other unallocated liabilities | | | | | | 138,407 | – | 138,407 |
| Total liabilities | | | | | | 396,878 | – | 396,878 |
| **Other segment information** | | | | | | | | |
| Share of profit of associates | | | | | | 1,380 | – | 1,380 |
| Loss on disposal of subsidiaries | | | | | | (1,603) | – | (1,603) |
| Reversal of provision for inventories | | | | | | 998 | – | 998 |
| Depreciation and amortisation | | | | | | (11,195) | – | (11,195) |
| Interests in associates | | | | | | 322,684 | – | 322,684 |
| Capital expenditure* | | | | | | (25,157) | – | (25,157) |
| Fair value loss on financial assets at fair value through profit or loss | | | | | | (20,978) | – | (20,978) |
| Valuation gain on investment properties | | | | | | 15,470 | – | 15,470 |

| | Wine and liquor *HK$'000* | Sales of green food products *HK$'000* | Construction *HK$'000* | Rental *HK$'000* | Money lending *HK$'000* | Continuing operations *HK$'000* | Discontinued operations *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|---|---|
| Year ended 31 December 2015 | | | | | | | | |
| **Segment revenue:** | | | | | | | | |
| Sales to external customers | 46,690 | 727,291 | – | 9,526 | 2,193 | 785,700 | – | 785,700 |
| Other revenue | 48,759 | 48,795 | – | – | 1,108 | 98,662 | 256 | 98,918 |
| | 95,449 | 776,086 | – | 9,526 | 3,301 | 884,362 | 256 | 884,618 |
| **Segment results** | 26,585 | 58,730 | – | (5,689) | 1,480 | 81,106 | (105) | 81,001 |
| *Reconciliation:* | | | | | | | | |
| Interest income | | | | | | 105 | – | 105 |
| Unallocated other operating income | | | | | | 845 | – | 845 |
| Corporate and other unallocated expenses | | | | | | (92,003) | – | (92,003) |
| Finance costs | | | | | | (10,115) | – | (10,115) |
| Gain on disposal of subsidiaries *(note 13)* | | | | | | 624 | 56,856 | 57,480 |
| (Loss)/profit before tax | | | | | | (19,438) | 56,751 | 37,313 |
| Income tax expenses | | | | | | (22,421) | – | (22,421) |
| (Loss)/profit for the year | | | | | | (41,859) | 56,751 | 14,892 |
| **Segment assets** | 400,060 | 433,846 | – | 52,715 | 228,310 | 1,114,931 | – | 1,114,931 |
| *Reconciliation:* | | | | | | | | |
| Elimination of intersegment receivables | | | | | | (68,201) | – | (68,201) |
| Corporate and other unallocated assets | | | | | | 168,483 | – | 168,483 |
| Total assets | | | | | | 1,215,213 | – | 1,215,213 |
| **Segment liabilities** | 110,488 | 149,533 | – | 7,198 | 463 | 267,682 | – | 267,682 |
| *Reconciliation:* | | | | | | | | |
| Elimination of intersegment payables | | | | | | (68,201) | – | (68,201) |
| Corporate and other unallocated liabilities | | | | | | 3,934 | – | 3,934 |
| Total liabilities | | | | | | 203,415 | – | 203,415 |
| **Other segment information** | | | | | | | | |
| Share of profit of associates | | | | | | 2,113 | – | 2,113 |
| Gain on disposal of subsidiaries | | | | | | 624 | 56,856 | 57,480 |
| Reversal of provision for inventories | | | | | | 315 | – | 315 |
| Depreciation and amortisation | | | | | | (4,942) | – | (4,942) |
| Interests in associates | | | | | | 276,276 | – | 276,276 |
| Capital expenditure* | | | | | | (93,968) | – | (93,968) |
| Fair value gain on financial assets at fair value through profit or loss | | | | | | 36,076 | – | 36,076 |
| Valuation gain on investment properties | | | | | | 53,299 | – | 53,299 |

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

**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 was one external customer accounted for more than 10% of the Group's total revenue of continuing operations (2015: Nil). No revenue from discontinued operations during the year (2015: HK$Nil) was derived from sales to a single customer.

## 4. PROFIT/(LOSS) BEFORE TAX

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Cost of inventories sold | **301,596** | 763,119 |
| Depreciation | **9,213** | 4,797 |
| Amortisation of other intangible assets | **1,982** | 145 |
| Minimum lease payments under operating leases in respect of land and buildings | **6,120** | 7,409 |
| Auditor's remuneration | **950** | 1,070 |
| Employee benefit expense (including directors' emoluments): | | |
| Wages and salaries | **17,817** | 11,804 |
| Equity-settled share option expense | **27,851** | 80,287 |
| Pension scheme contributions | **1,462** | 1,071 |
| | **47,130** | 93,162 |
| Other (income)/expenses: | | |
| Foreign exchange differences, net | **(1,064)** | (1,108) |
| Reversal of provision for inventories | **(998)** | (315) |
| Loss/(gain) on disposal of items of property, plant and equipment | **65** | (18) |
| Loss/(gain) on disposal of subsidiaries | **1,603** | (624) |
| Interest income | **(135)** | (105) |
| Fair value loss/(gain) on financial assets at fair value through profit or loss | **20,978** | (36,076) |
| Valuation gain on investment properties | **(15,470)** | (53,299) |
| **Discontinued operations** | | |
| Amortisation of other intangible assets | **–** | 195 |
| Gain on disposal of subsidiaries | **–** | (56,856) |

## 5. FINANCE COSTS

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Continuing operations | | |
| Interest on bank loans and other loans | **6,933** | 7,091 |
| Imputed financial cost on convertible bond | **–** | 3,024 |
| | **6,933** | 10,115 |

## 6. INCOME TAX (CREDIT)EXPENSES

During the year, no Hong Kong profits tax is arrived at 16.5% on the estimated assessable profits for the year (2015: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the Mainland China in which the Group operates.

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current | **2,975** | 93 |
| Deferred | **(8,328)** | 22,328 |
| Total tax (credit)/expenses for the year | **(5,353)** | 22,421 |

## 7. DISCONTINUED OPERATIONS

On 26 March 2014, BAPP Ethanol Holdings Limited (the "**BAPP**"), a wholly-owned subsidiary of the Group, entered into the Agreement with an independent third party (the "**Purchaser**"), the BAPP has conditionally agreed to sell all 100% equity interest in the BAPP (Northwest) Limited held by the BAPP, which hold 100% equity interest of Ningxia West Bright New Resource Technology Company Limited at the consideration of RMB40 million (the "**Disposal of BAPP**"). All the conditions precedent to completion have been satisfied and completion took place on 15 June 2015. Details of the completion of the disposal could be referred to the announcement published on the same date.

The results of the discontinued operations for the year are presented below:

| | 2015 |
|---|---|
| | *HK$'000* |
| Revenue | 256 |
| Expenses | (361) |
| Finance costs | – |
| Loss before tax from the discontinued operations | (105) |
| Income tax | – |
| Loss for the year from the discontinued operations | (105) |
| *Add:* Gain on disposal of discontinued operations | 56,856 |
| Profit from discontinued operations, net of tax | 56,751 |

## 8. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

## 9. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

**For continuing and discontinued operations**

| | **2016** | 2015 |
|---|---|---|
| Profit attributable to the equity holders of the Company *(HK$'000)* | **7,218** | 19,412 |
| Weighted average number of ordinary shares in issue *('000)* | **4,666,986** | 3,801,032 |
| Basic earnings per share *(HK cents)* | **0.15** | 0.51 |

**For continuing operations**

| | **2016** | 2015 |
|---|---|---|
| Profit attributable to the equity holders of the Company *(HK$'000)* | **7,218** | 19,412 |
| *Add:* Profit attributable to the equity holders of the Company from discontinued operations *(HK$'000)* | **–** | (56,751) |
| Profit/(loss) attributable to the equity holders of the Company from continuing operations *(HK$'000)* | **7,218** | (37,339) |
| Weighted average number of ordinary shares in issue *('000)* | **4,666,986** | 3,801,032 |
| Basic earnings/(loss) per share *(HK cents)* | **0.15** | (0.98) |

**For discontinued operations**

***Basic earnings per share***

| | **2016** | 2015 |
|---|---|---|
| Profit attributable to the equity holders of the Company from discontinued operations *(HK$'000)* | **–** | 56,751 |
| Weighted average number of ordinary shares in issue *('000)* | **4,666,986** | 3,801,032 |
| Basic earnings per share *(HK cents)* | **–** | 1.49 |

***Diluted earnings per share***

**For continuing operation**

| | **2016** |
|---|---|
| Profit attributable to the equity holders of the Company *(HK$'000)* | **7,218** |
| Weighted average number of ordinary shares in issue *('000)* | **4,666,986** |
| Effect of dilutive potential ordinary shares *('000)* | **6,665** |
| Weighted average number of shares for diluted earnings per share *('000)* | **4,673,651** |
| Diluted earnings per share (HK cents) | **0.15** |

No diluted earnings/(loss) per share has been presented for the years ended 31 December 2015 as there was no dilutive potential ordinary share outstanding and the exercise price of the Company's outstanding share options was higher than the average market price for the Company's share.

## 10. TRADE RECEIVABLES

Trade receivables are mainly arisen from sale of goods, receivables for contract works, rental income derived from renting business and interest income derived from money lending.

Other than the cash and credit card sales, the Group allows a credit period which is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

Receivables for contract works is received based on progress billing to customers.

Rental income is received in accordance with the terms of the relevant lease agreement, normally within 30 days from issuance of invoices.

Interest income from money lending is received in accordance with the loan agreement.

None of the trade receivables is impaired. An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **28,807** | 3,962 |
| 1 to 2 months | **85** | 1,299 |
| 2 to 3 months | **846** | 1,288 |
| Over 3 months | **5,844** | 5,286 |
| | **35,582** | 11,835 |

## 11. TRADE PAYABLES

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

| | **2016** | 2015 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **112,652** | 2,016 |
| 1 to 2 months | **1,117** | 546 |
| 2 to 3 months | **–** | 83 |
| Over 3 months | **6,247** | 3,063 |
| | **120,016** | 5,708 |

The trade payables are non-interest-bearing and are normally settled on 30-day terms (2015: 30-day terms).

All the trade payables are denominated in Renminbi.

## 12. INTEREST-BEARING BANK AND OTHER BORROWINGS

| | **2016** | | | 2015 | | |
|---|---|---|---|---|---|---|
| | **Effective interest rate** *(%)* | **Maturity** | **HK$'000** | Effective interest rate *(%)* | Maturity | HK$'000 |
| **Current** | | | | | | |
| Bank loans – secured (a) | **7.98** | **2017** | **43,997** | 5.14-9.06 | 2016 | 67,444 |
| Other loans – unsecured (b) | **4.09** | **On demand** | **39,840** | 4.97 | On demand | 38,199 |
| | | | **83,837** | | | 105,643 |

*Notes:*

(a) As at 31 December 2016, the Group's bank loans of continuing operations amounting to HK$43,997,000 (2015: HK$67,444,000) is secured by properties held by a related party of the Group and an independent third party.

(b) The unsecured loans were borrowed from Beidahuang Marketing Co. Ltd., the non-controlling shareholder of a group company. The purpose for the loans were for purchasing staple food and liquor wine.

(c) The Group's bank and other borrowings are all denominated in Renminbi.

## 13. DISPOSAL OF SUBSIDIARIES

(i) As disclosed in note 14, the Group acquired Shenzhen Tronsin Illuminating Technique Limited ("**SZTI**") during the year. On August, the Group disposed the 51% equity interest of SZTI to independent third parties for a cash consideration of RMB35,000,000.

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Total consideration | **39,085** |
| *Less:* Net assets including in assets of disposed groups of: | |
| Property, plant and equipment | **256** |
| Goodwill | **43,341** |
| Inventories | **215** |
| Trade receivables | **2,822** |
| Prepayments, deposits and other receivables | **1,625** |
| Cash and cash equivalents | **94** |
| Trade payables | **(56)** |
| Other payables and accruals | **(9,931)** |
| | **38,366** |
| *Add:* Release of exchange difference upon disposal | **116** |
| *Add:* Non-controlling interests upon disposal | **(2,438)** |
| Loss on disposal of the subsidiary | **(1,603)** |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

| | **2016** |
|---|---|
| | ***HK$'000*** |
| Cash receivable | **39,085** |
| Cash and cash equivalents disposed of | **(94)** |
| Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary | **(94)** |

(ii) The Group disposed the entire issued capital held of BAPP (Northwest) Limited ("**BAPP Northwest**") to an independent third party for a cash consideration of RMB40,000,000. On 15 June 2015, BAPP completed the disposal of BAPP Northwest and the Group lost the control of BAPP Northwest and its wholly owned subsidiary Ningxia West Bright New Resource Technology Company Limited. The two disposed companies were the discontinued operations of the Group *(Note 7)*.

| | 2015 |
|---|---|
| | *HK$'000* |
| Total consideration | 49,659 |
| *Less:* Net liabilities including in assets of disposed groups of: | |
| Property, plant and equipment | 613 |
| Prepaid land lease payments | 15,655 |
| Inventories | 38 |
| Prepayments, deposits and other receivables | 615 |
| Due from related parties | 75 |
| Cash and cash equivalents | 13 |
| Other payables and accruals | (7,931) |
| Deferred income | (10,895) |
| | (1,817) |
| *Add:* Release of exchange difference upon disposal | 5,380 |
| Gain on disposal of the subsidiary | 56,856 |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

| | 2015 |
|---|---|
| | *HK$'000* |
| Cash consideration | 49,659 |
| Cash and cash equivalents disposed of | (13) |
| Net inflow of cash and cash equivalents in respect of the disposal | 49,646 |

(iii) On 12 June 2015, the Company entered into an agreement with an independent third party, pursuant to which the Company agreed to sell all its 100% equity interest in Bio-Dynamic China Limited for a cash consideration of HK$1,000,000. Upon the completion of the disposal, the Group lost the control of Bio-Dynamic China Limited and its wholly owned subsidiary Harbin Niu Wang Muye Management Company Limited.

| | 2015 |
|---|---:|
| | *HK$'000* |
| Total consideration | 1,000 |
| *Less:* Net liabilities including in assets of disposed groups of: | |
| Property, plant and equipment | 293 |
| Prepayments, deposits and other receivables | 92 |
| Cash and cash equivalents | 6 |
| Other payables and accruals | (56) |
| | 335 |
| *Add:* Release of exchange difference upon disposal | (41) |
| Gain on disposal of subsidiaries | 624 |

An analysis of the net inflow of cash and cash equivalents in respect of the disposal is as follows:

| | 2015 |
|---|---:|
| | *HK$'000* |
| Cash consideration | 1,000 |
| Cash and cash equivalents disposed of | (6) |
| Net inflow of cash and cash equivalents in respect of the disposal | 994 |

## 14. ACQUISITION OF A SUBSIDIARY

On 1 March 2016, Shenzhen Penda Rongtong Trading Limited, an indirect wholly-owned subsidiary of the Company entered into the First Share Transfer Agreement and the Second Share Transfer Agreement with the owner of SZTI and Fujian Fang Run Construction Group Company Limited ("**FJFR**") respectively. The Company has conditionally agreed to acquire from both of the vendors 51% equity interest in SZTI and FJFR at a consideration of RMB35 million and RMB50 million respectively.

The precedent conditions to the First and Second Transfer Agreements were fulfilled and the completion of the two agreements took place on 24 March 2016.

The fair value of the identifiable assets and liabilities of SZTI and FJFR at the date of acquisition were as follows:

| | | **2016** | |
|---|---|---|---|
| | **SZTI** | **FJFR** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Property, plant and equipment | **281** | **3,696** | **3,977** |
| Inventories | **225** | **23,967** | **24,192** |
| Trade receivables | **2,950** | **–** | **2,950** |
| Prepayment, deposits and other receivables | **1,924** | **24,784** | **26,708** |
| Cash and cash equivalents | **98** | **36** | **134** |
| Other payables and accruals | **(10,339)** | **(24,713)** | **(35,052)** |
| Total identifiable net (liabilities)/assets | **(4,861)** | **27,770** | **22,909** |
| *Less:* Non-controlling interest upon acquisition | **(2,382)** | **13,607** | **11,225** |
| Total identifiable net (liabilities)/assets subject to acquisition | **(2,479)** | **14,163** | **11,684** |
| Goodwill on acquisition | **43,342** | **44,212** | **87,554** |
| Satisfied by cash consideration | **40,863** | **58,375** | **99,238** |

As analysis of the cash flows in respect of the acquisitions of SZTI and FJFR are as follows:

| | 2016 | | |
|---|---|---|---|
| | **SZTI** | **FJFR** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| | **(Unaudited)** | **(Unaudited)** | **(Unaudited)** |
| Cash consideration | **40,863** | **58,375** | **99,238** |
| Cash and bank balance acquired | **(98)** | **(36)** | **(134)** |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | **40,765** | **58,339** | **99,104** |

On 15 August 2016, 深圳市貝斯羅商貿有限公司, an indirect wholly-owned subsidiary of the Company entered into a share transfer agreement with the owner of 中山市民眾水鄉游有限公司 ("**ZSMZ**") to acquire 70% equity interest of ZSMZ at a consideration of RMB46 million. ZSMZ held trademarks of 嶺南水鄉 and is principally engaged in tourism business.

The fair value of the identifiable assets and liabilities of ZSMZ as the date of acquisition were as follows:

| | **ZSMZ** |
|---|---|
| | *HK$'000* |
| Intangible assets – trademark | 83,993 |
| Cash and cash equivalents | 1 |
| Deferred tax | (16,798) |
| Other payables and accruals | (593) |
| Total identifiable net assets | 66,603 |
| *Less:* Non-controlling interest upon acquisition | 15,370 |
| Satisfied by cash consideration | 51,233 |

As analysis of the cash flows in respect of the acquisition of ZSMZ is as follows:

| | |
|---|---|
| Cash consideration | 51,233 |
| Cash and bank balance acquired | (1) |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | 51,232 |

On 1 October 2016, 深圳碧暢貿易有限公司, an indirect wholly-owned subsidiary of the Company entered into a share transfer agreement with the owner of 深圳市臻和投資發展有限公司 ("**SZZH**") to acquire 100% equity interest of SZZH at a consideration of RMB48 million. SZZH held 55% each of 3 Beijing subsidiaries which are 北京創展谷德勝投資管理有限公司, 北京創展谷望新投資管理有限公司 and 北京木棉上元投資管理有限公司. The principal activities of SZZH group is renting of office premises and facilities.

The fair value of the identifiable assets and liabilities of SZZH group as the date of acquisition were as follows:

| | **SZZH** |
|---|---|
| | *HK$'000* |
| Property, plant and equipment | 382 |
| Intangible assets – contract | 52,631 |
| Trade receivables | 22,469 |
| Prepayment, deposits and other receivables | 37,369 |
| Cash and cash equivalents | 777 |
| Trade payables | (2) |
| Deferred tax | (13,158) |
| Other payables and accruals | (69,564) |
| Total identifiable net assets | 30,904 |
| *Less:* Non-controlling interest upon acquisition | 20,018 |
| Total identifiable net assets subject to acquisition | 10,886 |
| Goodwill on acquisition | 42,716 |
| Satisfied by cash consideration | 53,602 |

As analysis of the cash flows in respect of the acquisition of SZZH is as follows:

| | |
|---|---|
| Cash consideration | 53,602 |
| Cash and bank balance acquired | (777) |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | 52,825 |

On 25 August 2014, Shenzhen Meiming Wenshi Trading Limited ("**SZMM**"), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with independent third parties whereby the Company has agreed to acquire 50% equity interest in Shenzhen Beidahuang Green Food Distribution Limited ("**SZBDH**") from the vendors at an aggregate consideration of RMB2.5 million. The transaction was completed on 4 March 2015 and after that day, SZBDH became a subsidiary of the Group.

SZBDH is principally engaged in the wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food manufactured by Heilongjiang Beidahuang Agribusiness Group Corporation.

The fair value of the identifiable assets and liabilities of SZBDH as at date of acquisition were as follows:

| | 2015<br>*HK$'000*<br>(Audited) |
|---|---|
| Property, plant and equipment | 38 |
| Inventories | 937 |
| Trade and bills receivable | 275 |
| Prepayment, deposits and other receivables | 10,955 |
| Cash and cash equivalents | 688 |
| Trade and bills payable | (38) |
| Other payables and accruals | (13,244) |
| Total identifiable net liabilities | (389) |
| *Add:* Non-controlling interest upon acquisition | 194 |
| Total identifiable net liabilities subject to acquisition | (195) |
| Goodwill on acquisition | 3,322 |
| Satisfied by cash consideration | 3,127 |

An analysis of the cash flows in respect of the acquisitions of SZBDH is as follows:

| | 2015<br>*HK$'000*<br>(Audited) |
|---|---|
| Cash consideration | 3,127 |
| Cash and bank balances acquired | (688) |
| Net outflow of cash and cash equivalents included in cash flows used in investing activities | 2,439 |

**Impact of acquisition on the results of the Group**

***SZTI and FJFR***

SZTI contributed turnover of approximately HK$9,185,000 and net loss of approximately of HK$342,000 respectively to the Group for the period from the acquisition date to the disposal date.

If the acquisition had been completed on 1 January 2016, SZTI would have contributed turnover of approximately HK$9,185,000 and net loss of approximately HK$2,511,000 to the Group for the year ended 31 December 2016.

FJFR contributed turnover of approximately HK$222,782,000 and net loss of approximately of HK$586,000 respectively to the Group for the period from the acquisition date to 31 December 2016.

If the acquisition had been completed on 1 January 2016, FJER would have contributed turnover of approximately HK$226,824,000 and net loss of approximately HK$2,362,000 to the Group for the year ended 31 December 2016.

***SZZH***

SZZH contributed turnover of approximately HK$15,911,000 and net profit of approximately HK$6,259,000 to the Group for the period from the acquisition date to 31 December 2016.

If the acquisition had been completed on 1 January 2016, SZZH would have contributed turnover of approximately HK$75,254,000 and net loss of approximately HK$29,105,000 to the Group for the year ended 31 December 2016.

The unaudited pro-forma financial information set out above is for illustrative purpose only on the effect of the acquisition of SZTI, FJFR and SZZH having been completed at the beginning of the year ended 31 December 2016. The unaudited pro-forma financial information set out above is not necessarily an indication of turnover and results of the continuing operations of the Group nor is it intended to be a projection of future results.

***SZBDH***

Goodwill arose in the acquisition of SZBDH because the cost of the combination included a control premium, In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled work force of SZBDH. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Included in the profit for the year is HK$922,000 attributable to the additional business generated by SZBDH. Revenue for the year includes HK$566 million generated by SZBDH.

Had this business combination been effected at 1 January 2015, the revenue of the Group from continuing operations would have been HK$860 million, and the profit for the year from continuing operations would have been HK$15 million. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

Acquisition-related costs amounting to HK$260,000 have been excluded from the consideration transferred and have been recognised as an expense in the period, within the "administration expense" line item in the consolidated statement of profit or loss and other comprehensive income.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Overview

For the year ended 31 December 2016 ("**Year**"), the Group's revenue from the continuing operations amounted to approximately HK$654.84 million (2015: HK$785.70 million), representing a decrease of 16.66% over last year. Gross profit for the continuing operations of the Group was approximately HK$66.87 million (2015: HK$10.62 million). The profit (net of tax) from continuing operations was approximately HK$8.58 million (2015: loss (net of tax) from continuing operations was HK$41.86 million). Profit attributable to owners of the parent was approximately HK$7.22 million (2015: HK$19.41 million). The profit for the Year was mainly because the rental business segment and money lending business segment become mature and the profit in 2015 was mainly due to the gain arose from the disposal of BAPP (Northwest) Limited. Earnings per share from continuing operations and discontinued operations for the Year was HK0.15 cents (2015: HK0.51 cents).

The Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group's businesses both organically and through acquisitions when appropriate opportunities arise. The Group also plans to diversify the business mix and will seek for good investment opportunity with major focus in the People's Republic of China (the "**PRC**") and Hong Kong. Diversifications would be carefully selected among all the choices we explored and would be operated with experienced business partners.

## Segment Information

### *Wine and Liquor Business*

The Group's wine and liquor business is principally engaged in the sale and distribution of wine and liquor in the PRC. Currently, the Group operates a retail and distribution network for selling wine and liquor in Guangzhou, Harbin and Hunan Province of the PRC. The Group has 8 wine and liquor specialty stores and 19 franchise stores in Guangzhou.

The Group is the exclusive distributor of Diancang Jiugui and Meiming Wenshi in the PRC until May 2020.

Since 2012, the revenue of this business segment has been hit by the PRC government's calls for cracking down on extravagance in government departments and state-owned institutions and enterprises as well as the plasticiser contamination scandal. The operating environment of the liquor industry in the PRC remained difficult during the Year. The Group will closely monitor the market situations and trends and adopt corresponding measures of risk management to alleviate the negative impacts. Meanwhile, the Group will continue to improve the product mix and focus on higher margin products to grow its business. Apart from strengthening the established markets, the Group will strive to expand its retail and distribution network to other parts of the PRC.

Due to the government policy, revenue of the wine and liquor business declined by 8.63% to approximately HK$42.66 million (2015: HK$46.69 million) during the Year, accounting for 6.51% (2015: 5.94%) of the total revenue. Gross profit of this business segment was approximately HK$5.66 million (2015: HK$6.71 million), representing a decrease of 15.65% from last year.

***Sales of Green Food Products Business***

The sales of green food products business recorded a revenue of approximately HK$296.29 million (2015: HK$727.29 million), accounting for 45.25% of the total revenue. Gross profit of this business segment for the Year was approximately HK$3.22 million (2015: HK$4.15 million).

***Rental of Logistic Facilities and Office Facilities Business***

The logistic facilities and office facilities renting business recorded a revenue of approximately HK$59.13 million (2015: HK$9.53 million), accounting for 9.03% of the total revenue. Gross profit of this business segment for the Year was approximately HK$27.46 million (2015: Gross loss HK$2.43 million).

### *Money Lending Business*

A wholly-owned subsidiary of the Company incorporated in the PRC is engaged in the money lending business in the PRC. The money lending business recorded a revenue of HK$24.80 million (2015: HK$2.19 million), accounting for 3.79% of the total revenue. Gross profit of this business segment for the Year was approximately HK$24.80 million (2015: HK$2.19 million).

### *Construction Business*

On 1 March 2016, Shenzhen Penda Rongtong Trading Limited*（深圳市鵬達融通商貿有限公司, "**SZPD**"）, an indirect wholly-owned subsidiary of the Company, entered into the First Share Transfer Agreement with the owner of Shenzhen Tronsin Illuminating Technique Limited*（深圳市創先照明科技有限公司, "**SZTI**"）which is principally engaged in the sales of lighting equipment and urban and road lighting engineering contracting. The owner of SZTI has conditionally agreed to sell 51% equity interest in SZTI to the Group at a consideration of RMB35 million.

On 1 March 2016, SZPD entered into the Second Share Transfer Agreement with the owner of Fujian Fang Run Construction Group Company Limited*（福建省方潤建設集團有限公司, "**FJFR**"）which is principally engaged in general construction contracting for housing and building projects and general construction contracting for municipal public projects. The owner of FJFR has conditionally agreed to sell 51% equity interest in FJFR to the Group at a consideration of RMB50 million.

The First Share Transfer Agreement and the Second Share Transfer Agreement are not interconditional upon one another. On 24 March 2016, the completion of the First Share Transfer Agreement and the Second Share Transfer Agreement took place and SZTI and FJFR have become the subsidiaries of the Group, and henceforth the Group becomes eligible to participate in the construction projects. Details of the above transactions were disclosed in the announcements of the Company dated 23 October 2015, 17 December 2015 and 1 March 2016. Through participating in the construction projects, the Group derived a revenue of approximately HK$231.97 million (2015: Nil) and accounted for 35.42% (2015: Nil) of the total revenue from the execution of the contractual works contemplated under the construction projects and the provision of ongoing maintenance services in relation to the construction projects during the Year.

* *For identification purposes only*

**Acquisitions and Disposal of Subsidiaries**

***Acquisitions***

(i) On 1 March 2016, SZPD, an indirect wholly-owned subsidiary of the Company, entered into the First Share Transfer Agreement and the Second Share Transfer Agreement with the owner of SZTI and FJFR respectively. The Group has conditionally agreed to acquire from both of the vendors 51% equity interest in SZTI and FJFR at a consideration of RMB35 million and RMB50 million respectively.

Completion of the two agreements took place on 24 March 2016. Accordingly, SZTI and FJFR have become indirect non-wholly owned subsidiaries of the Company and their results will be consolidated into the financial statements of the Company. Details of the above transactions were disclosed in the announcements of the Company dated 23 October 2015, 17 December 2015 and 1 March 2016.

(ii) On 15 August 2016, Shenzhen Beisiluo Trading Co., Ltd*（深圳市貝斯羅商貿有限公司）, an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with the owner of Zhongshan Minzhong Waterytown Travel Co., Ltd*（中山市民眾水鄉遊有限公司, "**ZSMZ**") to acquire 70% equity interest in ZSMZ at a consideration of RMB46 million. ZSMZ held trademarks of Lingnan Watertown and is principally engaged in tourism business.

* *For identification purposes only*

(iii) On 1 October 2016, Shenzhen Bichang Trading Co., Ltd*（深圳碧暢貿易有限公司）, an indirect wholly-owned subsidiary of the Company, entered into a share transfer agreement with the owner of Shenzhen Zhenhe Investment and Development Co., Ltd*(深圳市臻和投資發展有限公司, "**SZZH**") to acquire 100% equity interest in SZZH at a consideration of RMB48 million. SZZH held 55% equity interest in each of the three subsidiaries in Beijing which are Beijing Chuangzhan Gudesheng Investment Management Co., Ltd*（北京創展谷德勝投資管理有限公司）, Beijing Chuangzhan Guwangxin Investment Management Co., Ltd*（北京創展谷望新投資管理有限公司）and Beijing Mumian Shangyuan Investment Management Co., Ltd*（北京木棉上元投資管理有限公司）. The principal activities of SZZH group is renting of office premises and facilities.

(iv) Subsequent to the end of the reporting year, on 13 January 2017, the Company entered into an equity transfer agreement ("**Equity Transfer Agreement**") with Ms. Chen Xiaoding to acquire the 100% equity interest in Shenzhen Ming Jian Gold Industry Limited*(深圳明建金業有限公司, "**Shenzhen Ming Jian**") at a consideration of RMB220 million payable by two instalments, in which RMB190 million to be settled by cash within one month upon signing of the Equity Transfer Agreement and RMB30 million to be settled by way of the Company allotting and issuing 76,686,332 consideration shares at the issue price of HK$0.44 per consideration share to her or her designated nominee(s).

The conditions precedent to the Equity Transfer Agreement were fulfilled and the completion of the agreement took place on 10 February 2017. Accordingly, Shenzhen Ming Jian has become a wholly-owned subsidiary of the Group and its results will be consolidated into the financial statements of the Company. Details of the above transaction were disclosed in the announcements of the Company dated 13 January 2017, 16 January 2017 and 10 February 2017.

***Disposal***

Due to the delay of construction projects, the management re-assessed the risk and return concerned, and taking into consideration of other better investment opportunities, the Group disposed the 51% equity interest in SZTI, which was acquired in March 2016, to an independent third party for a cash consideration of RMB35 million in August 2016.

* *For identification purposes only*

**Business Prospects**

The Group will continue to explore new markets and step up promotion and marketing efforts to expand its existing businesses. The Group will also look for other potential businesses and related profitable businesses for acquisition.

***Joint Ventures***

(i) On 22 December 2015, subject to the fulfilment of the conditions precedent, an indirect wholly-owned subsidiary of the Company entered into a joint venture agreement with an independent third party to establish a joint venture company on a 49:51 basis for the development and the operation of a logistic industrial park in Shenzhen, the PRC. Details of the said joint venture agreement were disclosed in the announcement of the Company dated 22 December 2015.

(ii) On 30 December 2015, the Company and Zhongfa Junrong Technology Joint Stock Company*（中發軍融科技股份公司）entered into a strategic cooperation framework agreement, pursuant to which the parties shall cooperate and explore the possibility of developing production industrial parks and logistic industrial parks in the PRC by way of joint venture arrangements. As at the date of this announcement, no joint venture agreement has been signed.

(iii) On 26 January 2016, the Company entered into a strategic co-operation framework agreement with the People's Government of Jishou and Hunan Xincheng Real Estate Development Group Co., Ltd.*（湖南鑫成置業發展集團有限責任公司）. Pursuant to the said agreement, the parties shall co-operate and explore the possibility of expediting certain municipal projects (including city infrastructure facility constructions, road and railway constructions, and lighting) and developing production industrial parks in Jishou, Hunan Province, the PRC by way of joint venture arrangements. It is expected that the Group's investment return from participating in the PPP projects in Jishou would be relatively secured and promising. As at the date of this announcement, no formal agreement has been signed.

* *For identification purposes only*

### ***Business Co-operation***

As announced on 28 January 2014, the Group has started to explore co-operation opportunity with CECT-Chinacomm Communications Co., Limited* (中電華通通信有限公司, "**CECT-Chinacomm**"), a company incorporated in the PRC with limited liability. CECT-Chinacomm and its ultimate beneficial owners are independent of and not connected with the Company and its connected persons. CECT-Chinacomm has the development right in respect of a parcel of land in the Beijing Economic and Technological Development Area and will construct a project known as Beijing Wireless Broadband Industrial Park (the "**Project**") on the parcel of land. An indirect subsidiary of CECT-Chinacomm is appointed as the operating company of the Project, and has legally obtained the Land Use Right Certificate, the Planning Permit and the Construction Land Use Permit. The co-operation is still in the discussion stage and no formal agreement has been entered into by the parties at the date of this announcement. The Board expects that the Company will be able to join CECT-Chinacomm and its subsidiary to develop the Project for commercial benefits.

## **Financial Review**

### ***Continuing Operations***

The continuing operations of the Group achieved a revenue of approximately HK$654.84 million (2015: HK$785.70 million), representing a decrease of 16.66% over last year. Gross profit from the continuing operations of the Group was approximately HK$66.87 million (2015: HK$10.62 million). The profit (net of tax) from continuing operations was HK$8.58 million.

The profit for the Year was mainly because the rental segment and money lending segment became mature and the profit in 2015 was mainly due to the gain arose from the disposal of BAPP (Northwest) Limited. Earnings per share from continuing operations and discontinued operations for the Year was HK0.15 cents (2015: HK0.51 cents).

* *For identification purposes only*

### *Selling and Distribution Expenses*

Selling and distribution expenses were approximately HK$7.34 million (2015: HK$14.24 million), representing a decrease of 48.45% from last year and 1.12% (2015: 1.8%) of the Group's revenue. Decrease in the expenses was mainly due to the closure of several wine and liquor specialty stores during the Year.

### *Administrative Expenses*

Administrative expenses were approximately HK$100.51 million (2015: HK$108.06 million), representing a decrease of 6.99% over last year. It included the equity-settled share option expenses for grant of share options in 2016 and 2015, which amounted to HK$27.85 million (2015: HK$80.3 million).

### *Finance Costs*

Finance costs were approximately HK$6.93 million (2015: HK$10.12 million), representing a decrease of 31.46% over last year.

### *Prepayments, Deposits and Other Receivables*

Included in prepayments, deposits and other receivables, there were HK$60.33 million trade deposits paid to suppliers for the purchase of green food products and wine. Approximately HK$17.54 million were the progress payments for the investment targets. HK$6.97 million was paid as rental deposit in respect of the logistic warehouse business and HK$6.96 million was paid as deposit for the new warehouse construction. Retention money of contract work was approximately HK$10.41 million. Consideration receivable for the disposal of SZTI was HK$39.08 million.

### *Discontinued Operations*

There are no discontinued operations during the year of 2016.

The gain on disposal of BAPP (Northwest) Limited amounting to approximately HK$56.75 million was recorded in 2015.

### *Liquidity, Financial Resources and Capital Structure*

During the Year, the Company issued a total of 2,347,644,876 new shares due to the issue of bonus shares and exercise of subscription rights attaching to the share options by employee and consultants of the Group. In addition, the Company repurchased a total of 15,520,000 shares of the Company of which 12,688,000 shares were cancelled during the Year. As a result, the issued share capital of the Company increased by 2,334,956,876 shares to 4,671,601,752 shares as at 31 December 2016.

As at 31 December 2016, the Group had net assets to owners of the parent of approximately HK$925.43 million (2015: HK$1,006.85 million). The slightly decrease of the net assets was due to the depreciation of Renminbi. Net current assets of the Group as at 31 December 2016 amounted to approximately HK$173.39 million (2015: HK$506.49 million). The current ratio (calculated as current assets to current liabilities) for the Year was 1.49 (2015: 3.78).

The Group's unpledged cash and cash equivalents as at 31 December 2016 amounted to approximately HK$62.54 million (2015: HK$363.30 million), which were denominated in Hong Kong dollars and Renminbi.

As at 31 December 2016, the Group's total borrowings amounted to approximately HK$83.84 million (2015: HK$118.42 million). The Group's borrowings included bank loans of approximately HK$83.84 million (2015: HK$105.64 million). Amounts due to related parties was nil (2015: HK$12.78 million). All of the Group's borrowings were denominated in Renminbi with the rest in Hong Kong dollars. 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 2016, calculated as net debt divided by equity attributable to owners of the parent plus net debt, was 23.89% (2015: 0%). These ratios were at reasonably adequate levels as at 31 December 2016. Having considered the Group's current unpledged cash and cash equivalents, bank and other borrowings, and banking facilities, the management believes that the Group's financial resources are sufficient for its day-to-day operations. The Group did not use financial instruments for financial hedging purposes during the 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 2016, HK$6.70 million was pledged to banks to secure the Group's bills payable (2015: Nil).

## Other Information

### *Issue of Bonus Shares*

On 7 September 2015, the Board proposed, inter alia, the Bonus Issue, details of which were disclosed in the announcements of the Company dated 7 September 2015, 2 December 2015 and 28 December 2015, and the circular of the Company dated 4 December 2015. The Bonus Issue was approved by the shareholders at the extraordinary general meeting of the Company held on 22 December 2015 and 2,336,644,876 bonus shares were issued by the Company on 7 January 2016.

***Adjustments to Outstanding Share Options***

On 7 January 2016, according to the terms of the share option scheme adopted by the Company on 23 May 2007 ("**Share Option Scheme**"), the exercise price of the share options granted under the Share Option Scheme and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the 217,730,000 outstanding share options were adjusted in the following manner as a result of the Bonus Issue:

| | Before Bonus Issue | | After Bonus Issue | |
|---|---|---|---|---|
| **Date of grant** | **Number of share options outstanding** | **Exercise price of each share option** | **Adjusted number of share options outstanding** | **Adjusted exercise price of each share option** |
| 23 July 2014 | 24,800,000 | HK$0.754 | 49,600,000 | HK$0.377 |
| 24 July 2015 | 192,930,000 | HK$2.060 | 385,860,000 | HK$1.030 |

Save for the above adjustments, all other terms and conditions of the outstanding share options granted under the Share Option Scheme remain unchanged. Cheng & Cheng Limited, the auditor of the Company, has reviewed and agreed with the adjustments to the outstanding share options granted under the Share Option Scheme as disclosed above and the announcement of the Company dated 7 January 2016.

***Grant of Share Options***

On 14 October 2016, the Company granted share options to certain eligible persons (including Directors, employees and consultants of the Group) to subscribe at the exercise price of HK$0.436 per share for a total of 210,000,000 shares in the Company pursuant to the Share Option Scheme. Among the total of 210,000,000 share options granted, 26,000,000 share options were granted to the Directors. Details of the grant of the share options are set out in the announcement of the Company dated 14 October 2016.

***Subscription of New Shares under General Mandate***

On 1 November 2016, the Company entered into subscription agreements respectively with each of the eight independent subscribers (the "**Subscribers**") pursuant to which the Subscribers agreed to conditionally subscribe for a total of 351,599,550 new shares at the subscription price of HK$0.48 per share in the Company ("**Subscription**"). The market price is HK$0.45 per share at the date of the subscription agreements.

The Board considered that the Subscription represented an opportunity to raise additional funding for the Group's business operation and to strengthen the capital base and financial position for the Group's future business developments and broaden the shareholder base of the Company. Furthermore, the Board considered that the Subscription is a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

The Subscription was completed on 12 January 2017 and the Company issued 351,599,550 subscription shares to the Subscribers.

The aggregate proceeds from the Subscription amounted to approximately HK$168.77 million and the net proceeds and the net price per share was approximately HK$168.70 million and HK$0.4798 respectively, after deducting all the professional fees incurred in the Subscription. The Company fully utilized the net proceeds for the Group's business development, investments, acquisition, repayment of loans and general working capital purposes. Details of the Subscription are set out in the announcements of the Company dated 1 November 2016, 30 November 2016, 30 December 2016 and 12 January 2017.

### Litigation

On 18 August 2015, the Company received a writ of summons issued by the Registry of the High Court of Hong Kong (the "**Writ**") relating to the claim by Mr. Qu Shuncai ("**Mr. Qu**"), a former Director. Pursuant to the Writ, Mr. Qu, as the plaintiff of the claim, 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 exercise of the share options of the Company by Mr. Qu. As at the date of this announcement, the Company is still seeking legal advice in relation to the Writ.

### Employees and Remuneration Policy

As at 31 December 2016, the Group had approximately 148 (2015: 94) employees in Hong Kong and the PRC with total staff costs amounting to approximately HK$30.61 million (2015: HK$23.04 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.

## SCOPE OF WORK OF CHENG & CHENG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, Cheng & Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Cheng & Cheng Limited 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 Cheng & Cheng Limited on this preliminary announcement.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's annual audited financial statements for the year ended 31 December 2016:

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, the Company repurchased a total of 15,520,000 shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") at an aggregate consideration of approximately HK$7,075,000, of which 12,688,000 shares were cancelled during the Year and the number of issued shares of the Company was reduced accordingly. The details of the repurchased shares are as follows:

| Month | Total number of shares repurchased | Purchase price per share Highest | Purchase price per share Lowest | Aggregate consideration |
|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$* |
| January 2016 | 5,000,000 | 0.590 | 0.445 | 2,431,182 |
| February 2016 | 2,488,000 | 0.490 | 0.485 | 1,217,840 |
| March 2016 | 1,000,000 | 0.465 | 0.460 | 463,240 |
| May 2016 | 4,200,000 | 0.420 | 0.405 | 1,748,160 |
| December 2016 | 2,832,000 | 0.440 | 0.420 | 1,213,840 |
| Total | 15,520,000 | | | 7,074,262 |

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the listed securities of the Company during the Year.

## REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2016 have been reviewed by the audit committee of the Company.

## 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 Rules Governing the Listing of Securities on the Stock Exchange during the year ended 31 December 2016, save as disclosed as follows.

In respect of code provision A.1.3 of the CG Code, 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 decision making 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.

In respect of code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2016 to 24 June 2016, Mr. Jiang Jianjun was the chairman of the Company and Mr. Li Jianqing was the chief executive officer of the Company. The Company did not officially have a position of chief executive officer after Mr. Li Jianqing retired as an executive director and ceased to be the chief executive officer of the Company with effect from 24 June 2016. Mr. Jiang Jianjun, the chairman of the Company, provides leadership to the Board to ensure that the Board works effectively and all important issues are discussed and dealt with in a timely manner. The Board will continue to review the effectiveness of the Group's structure as business continues to grow and develop in order to assess whether any changes, including the appointment of a chief executive officer, are necessary.

In respect of code provision A.6.5 of the CG Code, 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 record from Ms. Zhang Yujie, a non-executive Director, and Mr. Li Jianqing, a former executive Director retired on 24 June 2016.

By Order of the Board
**China Beidahuang Industry Group Holdings Limited**
**Jiang Jianjun**
*Chairman*

Hong Kong, 24 March 2017

*As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Jiang Jiancheng and Mr. Ke Xionghan; the Non-executive Directors are Ms. Ho Wing Yan and Ms. Zhang Yujie; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Li Xiaofeng and Mr. Ho Man Fai.*