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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

(formerly known as Sino Distillery Group Limited 中國釀酒集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00039)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

The Board is pleased to announce that on 14 May 2015, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 150,000,000 Subscription Shares at the Subscription Price of HK\$1.3365 per Subscription Share.

The Subscription Shares represent approximately 8.44% of the issued share capital of the Company as at the date of this announcement and approximately 7.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the General Mandate.

Shareholders and potential investors who wish to deal in the securities of the Company should note that the Subscription may or may not proceed and therefore are advised to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION AGREEMENT

Date

14 May 2015

Parties

- (1) the Company as the issuer; and
- (2) Beidahuang (HK) International Trade Co., Limited (“**Subscriber**”)

The Subscriber is a limited liability company incorporated in Hong Kong and a subsidiary of Beidahuang Business Group.

Number of Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber agreed to subscribe for a total of 150,000,000 Subscription Shares at the Subscription Price. The 150,000,000 Subscription Shares represents (i) approximately 8.44% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.79% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is HK\$15,000,000.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu among themselves and with the Shares in issue at the time of allotment and issue of the Subscription Shares.

Subscription Price

The Subscription Price of HK\$1.3365 per Subscription Share represents:

- (i) a discount of approximately 19.97% to the closing price of HK\$1.67 per Share as quoted on the Stock Exchange on Last Trading Day; and

- (ii) a premium of approximately 28.26% to the average closing price of HK\$1.042 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 12 May 2015, being the trading day immediately preceding the Last Trading Day.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber and with reference to the prevailing market price of the Shares.

Condition Precedent

The obligations of the Subscriber and the Company are conditional upon the Listing Committee of the Stock Exchange agreeing to grant a listing of, and permission to deal, in the Subscription Shares and such permission not subsequently being revoked being fulfilled on or before the Long Stop Date.

If the condition is not so satisfied on or before the Long Stop Date, the Subscription Agreement will terminate and neither of the Subscriber and the Company will have any claim against the other for costs, damages, compensation or otherwise except for, among others, antecedent breach of provisions of the Subscription Agreement.

Completion

The Completion shall take place within two business days after the condition precedent of the Subscription Agreement has been fulfilled or on such other date as the Company and the Subscriber may agree.

Lock-up Period

Under the terms of the Subscription Agreements, the Subscriber and its nominee shall neither (i) dispose of, (ii) enter into any agreement to dispose of, nor (iii) otherwise create any encumbrances in respect of any direct or indirect interest in the Subscription Shares at any time within the period of 18 months from the date of completion of the Subscription.

Shareholders and potential investors who wish to deal in the securities of the Company should note that the Subscription may or may not proceed and therefore are advised to exercise caution when dealing in the securities of the Company.

Implication under the Listing Rules

Beidahuang Marketing Co. which is a subsidiary of Beidahuang Business Group is a substantial shareholder of Shenzhen Beidahuang (a non-wholly owned subsidiary of the Company). The Subscriber is an associate of a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the Subscription Agreement constitute connected transactions for the Company.

The Board has approved the Subscription Agreement and the transactions contemplated thereunder and the independent non-executive Directors have confirmed that the terms of the transactions under the Subscription Agreement are fair and reasonable, and such transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the transactions under the Subscription Agreement will only be subject to the reporting and announcement requirements, and be exempt from the circular, independent financial advice and independent shareholders' approval requirements.

General Mandate

The Subscription is not subject to Shareholders' approval as the Subscription Shares will be issued under the General Mandate. As at the date of this announcement, the General Mandate has been utilised up to 150,000,000 Shares since it was granted and the number of new Shares that could be further issued by the Company under the General Mandate is 158,938,975 Shares. As such, no Shareholders' approval is required for the allotment and issue of the Subscription Shares.

Application for Listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the Completion, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the Completion.

	As at the date of this announcement		Immediately after the Completion	
	<i>Number of Shares</i>	<i>Approx. %</i>	<i>Number of Shares</i>	<i>Approx. %</i>
Directors				
Mr. Jiang Jianjun (<i>a</i>)	282,801,522	15.92	282,801,522	14.68
Mr. Li Jianqing	7,470,000	0.42	7,470,000	0.39
Mr. Ho Man Fai	500,000	0.03	500,000	0.02
Mr. Qu Shuncaï	2,000	0.00	2,000	0.00
	<u>290,773,522</u>	<u>16.37</u>	<u>290,773,522</u>	<u>15.09</u>
Substantial Shareholders				
Mr. Li Xianggen (<i>b</i>)	186,480,000	10.50	186,480,000	9.68
Public Shareholders				
Subscriber	–	–	150,000,000	7.79
Other public Shareholders	<u>1,299,491,354</u>	<u>73.13</u>	<u>1,299,491,354</u>	<u>67.44</u>
Total	<u><u>1,776,744,876</u></u>	<u><u>100.00</u></u>	<u><u>1,926,744,876</u></u>	<u><u>100.00</u></u>

Notes:

- (a) The Shares are held by Mr. Jiang Jianjun (“**Mr. Jiang**”) as to 106,652,000 Shares, Ms. Li Zhuoxun, the spouse of Mr. Jiang, as to 2,920,000 Shares, King Wei Group (China) Investment Development Limited (“**King Wei**”) as to 126,629,522 Shares and China Silver Investments Development Limited (“**China Silver**”) as to 46,600,000 Shares. As King Wei and China Silver are 100% owned by Mr. Jiang, Mr. Jiang is deemed to be interested in the 126,629,522 Shares held by King Wei and the 46,600,000 Shares held by China Silver respectively by virtue of the SFO.

- (b) The Shares are held by Mr. Li Xianggen as to 1,372,000 Shares, Able Turbo Enterprises Limited (“**Able Turbo**”) as to 107,409,737 Shares and China Food and Beverage Group Limited (“**China Food**”) as to 77,698,263 Shares. As China Food is 100% owned by Able Turbo, Able Turbo is deemed to be interested in the 77,698,263 Shares held by China Food by virtue of the SFO. As Able Turbo is 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xianggen, each of Mr. Chen Hua and Mr. Li Xianggen is deemed to be interested in the Shares held by Able Turbo and China Food by virtue of SFO.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below are the equity fund raising activities conducted by the Company in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of the proceeds	Actual use of the proceeds up to the date of this announcement
24 June 2014	Subscription of 82,000,000 new Shares at a price of HK\$0.7 per subscription share	Approximately HK\$57.1 million	For the Group’s settlement of loans, business developments, investments and general working capital	Approximately RMB28 million was applied as refundable deposit for business development in Shenzhen area and the remaining was applied to general working capital of the Group
24 June 2014	Subscription of convertible bonds in an aggregate principal amount of HK\$89,600,000	Approximately HK\$89.3 million	For the Group’s settlement of loans, business developments, investments and general working capital	Approximately RMB15 million was applied to settle bank loan and approximately RMB20 million was applied as the working capital of the joint venture company related to E-commerce and the remaining was applied as working capital of the Group
11 July 2014	Subscription of 180,000,000 non-listed warrants at an issue price of HK\$0.01 per warrant	Approximately HK\$1.5 million	For the Group’s working capital	The entire amount has been deposited into and remains in bank account
10 April 2015	Subscription of 150,000,000 new Shares at a price of HK\$0.73 per subscription share	Approximately HK\$109.45 million	For the Group’s business development, investments and general working capital purposes	Approximately HK\$30 million was applied to the joint venture company to engage in leasing of logistics business and the balance amount has been deposited into and remains in bank account

REASONS FOR THE SUBSCRIPTION AND USE OF THE PROCEEDS

The Group is principally engaged in sale and distribution of wine, liquor and green food products. On 4 March 2015, the Group acquired 50% of the registered capital of Shenzhen Beidahuang which is principally engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food supplied by the Beidahuang Business Group.

Reference is made to the announcement of the Company dated 13 May 2015 in relation to continuing connected transactions with Beidahuang Business Group and its subsidiaries. The Subscriber is also the holder of the Warrants. The Directors are of the view that the Subscription can further strengthen the business relationship between the Group and Beidahuang Business Group and its subsidiaries.

The aggregate gross proceeds from the Subscription will be HK\$200.475 million and the net proceeds will be approximately HK\$200.30 million, after deducting all the professional fees incurred in the Subscription. The net Subscription Price will be approximately HK\$1.3353 per Share. The Company intends to use the net proceeds for the Group's business development, investments and general working capital purposes.

TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 14 May 2015 pending the release of this announcement. The Company has made an application to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 18 May 2015.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“associate”	has the meaning ascribed thereto under the Listing Rules
“Beidahuang Marketing Co.”	北大荒營銷股份有限公司 (Beidahuang Marketing Co. Ltd.*), a company established in the PRC with limited liability
“Beidahuang Business Group”	黑龍江農墾北大荒商貿集團有限責任公司 (Heilongjiang Nongken Beidahuang Business Trade Liability Group Co., Ltd.*), a limited liability company incorporated in the PRC
“Board”	the board of Directors
“Company”	China Beidahuang Industry Group Holdings Limited (formerly known as “Sino Distillery Group Limited”), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“Completion”	the completion of the Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 26 June 2014 to issue and allot up to 308,938,975 new Shares, representing 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the said meeting

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Last Trading Day”	13 May 2015, the last day on which the Shares were traded immediately preceding the publication of this announcement
“Listing Rules”	the Rule Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2015 or such later date as the Company and the Subscriber may agree
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shenzhen Beidahuang”	深圳北大荒綠色食品配送有限公司 (Shenzhen Beidahuang Green Food Distribution Limited*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Beidahuang (HK) International Trade Co., Limited

“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 May 2015 entered into between the Company and the Subscriber in respect to the Subscription
“Subscription Price”	HK\$1.3365 per Subscription Share
“Subscription Shares”	a total of 150,000,000 new Shares
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Warrants”	an aggregate of 180,000,000 non-listed warrants entitling the holder to subscribe for up to an aggregate amount of HK\$126 million for the new Shares at an initial subscription price of HK\$0.70 per Share, subject to the terms and conditions set out in the instrument constituting the warrants
“%”	per cent

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

Hong Kong, 17 May 2015

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing, Mr. Qu Shuncai and Mr. Jiang Jiancheng; the Non-executive Director is Ms. Ho Wing Yan; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Li Xiaofeng and Mr. Ho Man Fai.

* *for identification purpose only*