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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 51% INTEREST IN TARGET COMPANY 1
AND
ACQUISITION OF 51% INTEREST IN TARGET COMPANY 2**

FIRST ACQUISITION

On 1 March 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the First Share Transfer Agreement with Vendor 1, whereby the Purchaser has conditionally agreed to acquire and Vendor 1 has conditionally agreed to sell 51% equity interest in Target Company 1 at the consideration of RMB35 million.

SECOND ACQUISITION

On 1 March 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Second Share Transfer Agreement with Vendor 2, whereby the Purchaser has conditionally agreed to acquire and Vendor 2 has conditionally agreed to sell 51% equity interest in Target Company 2 at the consideration of RMB50 million.

CONSIDERATION

The consideration of the First Acquisition and the Second Acquisition shall be satisfied by cash.

The First Share Transfer Agreement and the Second Share Transfer Agreement are not inter-conditional upon one another.

LISTING RULES IMPLICATIONS

Since the Acquisitions would lead to substantial involvement by the Group in the PPP Project which did not previously form part of the Group's principal business activities, pursuant to the Listing Rules, the First Acquisition and the Second Acquisition will be aggregated and treated as if they were one transaction. As certain applicable percentage ratios for the Acquisitions exceed 5% but are less than 25%, the Acquisitions constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Reference is made to the announcements of the Company dated 23 October 2015 (the "**Announcement**") and 17 December 2015 in relation to, among other things, the Possible Acquisitions. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise stated.

The Board is pleased to announce that on 1 March 2016, the Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into the First Share Transfer Agreement with Vendor 1 and the Second Share Transfer Agreement with Vendor 2.

THE FIRST SHARE TRANSFER AGREEMENT

Date

1 March 2016

Parties

Purchaser: 深圳市鵬達融通商貿有限公司 (Shenzhen Penda Rongtong Trading Limited*)

Vendor 1: Mr. Zhou Jianquan (周建全)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor 1 is an Independent Third Party.

Asset to be Acquired

Pursuant to the First Share Transfer Agreement, the Purchaser has conditionally agreed to acquire and Vendor 1 has conditionally agreed to sell 51% equity interest in Target Company 1.

Consideration and Payment Terms

The consideration for the First Acquisition is RMB35 million and shall be satisfied by cash and payable by the Group within 3 days from completion of the First Share Transfer Agreement.

The consideration was based on normal commercial terms and arrived at after arm's length negotiations between the Purchaser and Vendor 1 and was determined after taking into account of the unaudited net assets value of Target Company 1 as at 31 December 2015 and the future business prospect of Target Company 1 after it has won the bid for the PPP Project.

The Company intends to finance the consideration from its internal resources and borrowings.

The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable and on normal commercial terms.

Conditions Precedent

As mentioned in the Announcement, the Acquisitions are subject to certain conditions, of which the following have been fulfilled as at the date of the First Share Transfer Agreement and the Second Share Transfer Agreement:

- (1) Target Company 1 and Target Company 2 have won a bid for the PPP Project; and
- (2) the Company has completed the due diligence review on Target Company 1 and Target Company 2 without identifying any significant adverse matters (or the adverse matters have been resolved by the parties).

Among the conditions mentioned in the Announcement, the Directors wish to clarify that as the Acquisitions only constitute a discloseable transaction for the Company under the Listing Rules, the Shareholders' approval of the Acquisitions shall not be required.

The First Share Transfer Agreement and the Second Share Transfer Agreement are not inter-conditional upon one another.

Completion of the First Share Transfer Agreement will be conditional upon satisfaction of the following conditions:

- (i) the obtaining of all necessary approvals and consents in relation to the First Share Transfer Agreement and the transactions contemplated thereunder by Vendor 1 and all other shareholder(s) of Target Company 1;
- (ii) the Purchaser and/or Vendor 1 having obtained all requisite approvals and consents by the relevant PRC authorities in respect of the transfer of 51% equity interest in Target Company 1; and
- (iii) the representations and warranties set forth in the First Share Transfer Agreement are true and correct.

The condition set out in (i) above shall be satisfied within 3 days from the date of the First Share Transfer Agreement.

The condition set out in (ii) above shall be satisfied within 15 days from the date of the First Share Transfer Agreement.

In the event that the above conditions to the First Acquisition are not fulfilled or waived on or before 16 March 2016 (or such other date as may be agreed between the Purchaser and Vendor 1), the First Share Transfer Agreement shall lapse and shall cease to have any force and effect and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion

Completion shall take place on 21 March 2016 (or such other date as may be agreed between the Purchaser and Vendor 1) on which all of the conditions above are satisfied.

Upon completion, the board of directors of Target Company 1 will comprise 3 directors and the Purchaser shall have the right to nominate 2 directors to the board of directors of Target Company 1.

Information of Target Company 1

Target Company 1 is a limited liability company established in the PRC on 10 March 2000 with a registered capital of RMB50,010,000 and paid up capital of RMB17,380,000. Target Company 1 is principally engaged in sales of lighting equipment and urban and road lighting engineering contracting. Target Company 1 is an enterprise having qualifications such as “Grade One Special Contracting for Urban and Road Lighting Engineering”(城市及道路照明工程專項承包壹級) and “Grade A Special Design for Lighting Engineering”(照明工程設計專項甲級).

As at the date of this announcement, Vendor 1 holds 51% equity interest in Target Company 1 and the remaining 49% equity interest is held by Mr. Chen Yongkai (陳永凱), an individual investor, (who is independent of the Company and Vendor 1).

The unaudited net assets value of Target Company 1 as at 31 December 2015 was approximately RMB6.3 million.

A summary of the financial information of Target Company 1 for the two financial years ended 2014 and 2015 prepared in accordance with the PRC accounting standard is set out below:

	For the year ended	
	31 December	
	2015	2014
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	7,047	25,878
(Loss) before taxation and extraordinary items	(5,673)	(2,401)
(Loss) after taxation and extraordinary items	(5,676)	(2,442)

Following completion of the First Acquisition, Target Company 1 will be held as to 51% by the Purchaser and 49% by Mr. Chen Yongkai (陳永凱). Accordingly, Target Company 1 will be an indirect non-wholly owned subsidiary of the Company and the results of Target Company 1 will be consolidated into the financial statements of the Group.

THE SECOND SHARE TRANSFER AGREEMENT

Date

1 March 2016

Parties

Purchaser: 深圳市鵬達融通商貿有限公司 (Shenzhen Penda Rongtong Trading Limited*)

Vendor 2: 深圳市雅爾旺投資發展有限公司 (Shenzhen Yaerwang Investment & Development Company Limited*)

Vendor 2 is a limited liability company established in the PRC and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor 2 and its ultimate beneficial owner(s) are Independent Third Parties.

Asset to be Acquired

Pursuant to the Second Share Transfer Agreement, the Purchaser has conditionally agreed to acquire and Vendor 2 has conditionally agreed to sell 51% equity interest in Target Company 2.

Consideration and Payment Terms

The consideration for the Second Acquisition is RMB50 million and shall be satisfied by cash and payable by the Group within 3 days from completion of the Second Share Transfer Agreement.

The consideration was based on normal commercial terms and arrived at after arm's length negotiations between the Purchaser and Vendor 2 and was determined after taking into account of the unaudited net assets value of Target Company 2 as at 31 December 2015 and the future business prospect of Target Company 2 after it has won the bid for the PPP Project.

The Company intends to finance the consideration from its internal resources and borrowings.

The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable and on normal commercial terms.

Conditions Precedent

As mentioned in the Announcement, the Acquisitions are subject to certain conditions, of which the following have been fulfilled as at the date of the First Share Transfer Agreement and the Second Share Transfer Agreement:

- (1) Target Company 1 and Target Company 2 have won a bid for the PPP Project; and
- (2) the Company has completed the due diligence review on Target Company 1 and Target Company 2 without identifying any significant adverse matters (or the adverse matters have been resolved by the parties).

Among the conditions mentioned in the Announcement, the Directors wish to clarify that as the Acquisitions only constitute a discloseable transaction for the Company under the Listing Rules, the Shareholders' approval of the Acquisitions shall not be required.

The First Share Transfer Agreement and the Second Share Transfer Agreement are not inter-conditional upon one another.

Completion of the Second Share Transfer Agreement will be conditional upon satisfaction of the following conditions:

- (i) the obtaining of all necessary approvals and consents in relation to the Second Share Transfer Agreement and the transactions contemplated thereunder by Vendor 2 and all other shareholder(s) of Target Company 2;
- (ii) the Purchaser and/or Vendor 2 having obtained all requisite approvals and consents by the relevant PRC authorities in respect of the transfer of 51% equity interest in Target Company 2; and
- (iii) the representations and warranties set forth in the Second Share Transfer Agreement are true and correct.

The condition set out in (i) above shall be satisfied within 3 days from the date of the Second Share Transfer Agreement.

The condition set out in (ii) above shall be satisfied within 15 days from the date of the Second Share Transfer Agreement.

In the event that the above conditions to the Second Acquisition are not fulfilled or waived on or before 16 March 2016 (or such other date as may be agreed between the Purchaser and Vendor 2), the Second Share Transfer Agreement shall lapse and shall cease to have any force and effect and the parties will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof.

Completion

Completion shall take place on 21 March 2016 (or such other date as may be agreed between the Purchaser and Vendor 2) on which all of the conditions above are satisfied.

Upon completion, the board of directors of Target Company 2 will comprise 3 directors and the Purchaser shall have the right to nominate 2 directors to the board of directors of Target Company 2.

Information of Target Company 2

Target Company 2 is a limited liability company established in the PRC on 17 June 2004 with a registered capital of RMB100,990,000 and paid up capital of RMB50,000,000. Target Company 2 is principally engaged in general construction contracting for housing and building project and general construction contracting for municipal public project. Target Company 2 is an enterprise having qualifications such as “Grade One General Construction Contracting for Housing and Building Project”(房屋建築工程施工總承包壹級), “Grade One Professional Contracting for Fire Facilities Engineering”(消防設施工程專業承包一級) and “Grade One Professional Contracting for Mechanical and Electrical Equipment Installation Engineering”(機電設備安裝工程專業承包一級).

As at the date of this announcement, Vendor 2 holds 51% equity interest in Target Company 2 and the remaining 49% equity interest is held by 福建省方方投資管理有限公司 (Fujian Fangfang Investment Management Company Limited*) (who and its ultimate beneficial owner(s) are independent of the Company and Vendor 2).

The unaudited net assets value of Target Company 2 as at 31 December 2015 was approximately RMB25.3 million.

A summary of the financial information of Target Company 2 for the two financial years ended 2014 and 2015 prepared in accordance with the PRC accounting standard is set out below:

	For the year ended	
	31 December	
	2015	2014
	(unaudited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	8,366	14,501
(Loss)/Profit before taxation and extraordinary items	(4,959)	2,366
(Loss) after taxation and extraordinary items	(8,439)	(2,938)

Following completion of the Second Acquisition, Target Company 2 will be held as to 51% by the Purchaser and 49% by 福建省方方投資管理有限公司 (Fujian Fangfang Investment Management Company Limited*). Accordingly, Target Company 2 will be an indirect non-wholly owned subsidiary of the Company and the results of Target Company 2 will be consolidated into the financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in sale and distribution of wine, liquor and green food products and wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food, and the leasing of logistic facilities in Hong Kong.

In order to diversify the business of the Group for maximizing returns to the Shareholders, the Group has been actively seeking various investment opportunities. Target Company 1 and Target Company 2 have won the bid for the PPP Project. Hence, by acquiring the Target Companies, the Group will have the opportunity to participate in the PPP Project led by China Southern Power Grid Synthesis Energy Company Limited (南方電網綜合能源有限公司), a government-owned power grid company established in Guangdong of the PRC. Through participating in the PPP Project, it is expected that the Group would derive revenue from the execution of the contractual works contemplated under the PPP Project and the provision of on-going maintenance services in relation to the PPP Project.

The Directors (including the independent non-executive Directors) also consider that the terms of the Share Transfer Agreements are fair and reasonable and the entering into the Share Transfer Agreements are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the Acquisitions would lead to substantial involvement by the Group in the PPP Project which did not previously form part of the Group's principal business activities, pursuant to the Listing Rules, the First Acquisition and the Second Acquisition will be aggregated and treated as if they were one transaction. As certain applicable percentage ratios for the Acquisitions exceed 5% but are less than 25%, the Acquisitions constitute a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisitions”	the First Acquisition and the Second Acquisition pursuant to the First Share Transfer Agreement and the Second Share Transfer Agreement respectively
“Board”	the board of Directors
“Company”	China Beidahuang Industry Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“First Acquisition”	the acquisition of 51% equity interest in Target Company 1 by the Purchaser from Vendor 1 pursuant to the First Share Transfer Agreement
“First Share Transfer Agreement”	the agreement dated 1 March 2016 entered into between the Purchaser and Vendor 1 in respect of the First Acquisition
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of, and not connected with, the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	深圳市鵬達融通商貿有限公司 (Shenzhen Penda Rongtong Trading Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Second Acquisition”	the acquisition of 51% equity interest in Target Company 2 by the Purchaser from Vendor 2 pursuant to the Second Share Transfer Agreement
“Second Share Transfer Agreement”	the agreement dated 1 March 2016 entered into between Purchaser and Vendor 2 in respect of the Second Acquisition
“Share Transfer Agreements”	collectively the First Share Transfer Agreement and the Second Share Transfer Agreement
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively Target Company 1 and Target Company 2
“Target Company 1”	深圳市創先照明科技有限公司 (Shenzhen Tronsin Illuminating Technique Ltd.*), a limited liability company established in the PRC
“Target Company 2”	福建省方潤建設集團有限公司 (Fujian Fang Run Construction Group Company Limited*), a limited liability company established in the PRC

“Vendor 1”	Mr. Zhou Jianquan (周建全), a citizen of the PRC
“Vendor 2”	深圳市雅爾旺投資發展有限公司 (Shenzhen Yaerwang Investment & Development Company Limited*), a limited liability company established in the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 1 March 2016

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing and Mr. Jiang Jiancheng; 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.

* For identification purpose only