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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 1 November 2016 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements separately with each of the Subscribers for the subscription of an aggregate of 351,599,550 Subscription Shares at the Subscription Price of HK\$0.48 per Subscription Share.

The Subscription Shares represent approximately 7.53% of the existing issued share capital of the Company and approximately 7.00% of the Company's issued share capital as enlarged by the Subscription. The Subscription is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares.

The Subscription Agreements are not inter-conditional upon one another.

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.

INTRODUCTION

The Board is pleased to announce that on 1 November 2016 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreements separately with each of the Subscribers for the subscription of an aggregate of 351,599,550 Subscription Shares at the Subscription Price of HK\$0.48 per Subscription Share.

THE SUBSCRIPTION AGREEMENTS

Date

1 November 2016

Parties

- (1) the Company as the issuer; and
- (2) the Subscribers.

Not less than six Subscribers of which one of them is an existing Shareholder holding approximately 0.17% of the existing issued share capital of the Company. Based on the information provided by the Subscribers, for those Subscribers who are corporations, their principal activities are investments holding.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Subscribers and its ultimate beneficial owners (if any) is an Independent Third Party. It is expected that none of the Subscribers will become a substantial shareholder (as defined in the Listing Rules) of the Company immediately upon completion of the Subscription.

Number of Subscription Shares

An aggregate of 351,599,550 Subscription Shares, representing approximately 7.53% of the existing issued share capital of the Company and approximately 7.00% of the issued share capital of the Company as enlarged by the Subscription. The aggregate nominal value of the Subscription Shares is HK\$35,159,955.

Ranking of Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects with the Shares in issue on the completion date of the Subscription, including the right to any dividends or distribution after the date of completion of the Subscription.

Subscription Price

The Subscription Price of HK\$0.48 per Subscription Share represents:

- (i) a premium of approximately 6.67% to the closing price of HK\$0.45 per Share as quoted on the Stock Exchange on 1 November 2016, being the date of the Subscription Agreements; and
- (ii) a premium of approximately 4.12% to the average closing price of HK\$0.461 per Share as quoted on the Stock Exchange for the last five trading days up to and including 31 October 2016, being the date immediately preceding the date of the Subscription Agreements.

The Subscription Price was determined after arm's length negotiation between the Subscribers and the Company on the date of the Subscription Agreements with reference to the recent trading performance of the Shares and business prospects of the Group. The Directors consider that the Subscription Price is fair and reasonable under the current market conditions and the Subscription is in the interest of the Company and its Shareholders as a whole.

The Subscription Shares have a market value of approximately HK\$158.22 million, based on the closing price of HK\$0.45 per Share on 1 November 2016, being the date of the Subscription Agreements.

Based on the net proceeds of HK\$168.70 million, the net price per Subscription Share is approximately HK\$0.48.

General Mandate

The Subscription Shares will be allotted and issued under the General Mandate. As at the date of this announcement, the Company has not utilised any of the General Mandate and the General Mandate can issue up to 933,160,350 new Shares. The issue of Subscription Shares is not subject to the approval of the Shareholders.

Condition Precedent

Completion of the Subscription is conditional upon the listing of, and permission to deal in, the Subscription Shares being granted by the Listing Committee of the Stock Exchange.

In the event that the condition precedent to the Subscription is not fulfilled on or before the Long Stop Date, the Subscription Agreements and all rights and obligations thereunder will cease and terminate.

The Subscription Agreements are not inter-conditional upon one another.

Completion

Completion of the Subscription will take place within two Business Days (or such other time as the Company and the Subscribers may agree) immediately after the fulfillment of the condition precedent of the Subscription set out above.

Lock-up Period

Under the terms of the Subscription Agreements, the Subscriber and their respective 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 9 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.

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 FOLLOWING COMPLETION OF THE SUBSCRIPTION

Assuming there being no other changes in the share capital of the Company from the date of this announcement up to the completion of the Subscription, set out below is the table of the shareholdings in the Company before and upon completion of the Subscription:

Shareholders	Shareholding as at the date of this announcement		Shareholding upon completion of the Subscription	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>Approximate %</i>	<i>Shares</i>	<i>Approximate %</i>
Directors:				
Mr. Jiang Jianjun (<i>Note a</i>)	572,839,044	12.26	572,839,044	11.40
Mr. Ho Man Fai	2,000,000	0.04	2,000,000	0.04
Mr. Jiang Jiancheng	500,000	0.01	500,000	0.01
Mr. Li Xiaofeng	500,000	0.01	500,000	0.01
	575,839,044	12.32	575,839,044	11.46
Substantial Shareholders:				
Beidahuang (HK) International Trade Co., Limited (<i>Note b</i>)	660,000,000	14.13	660,000,000	13.14
Able Turbo Enterprises Limited (<i>Note c</i>)	380,180,000	8.14	380,180,000	7.57
Mr. Li Jiehong (<i>Note d</i>)	260,290,440	5.57	260,290,440	5.18
Public Shareholders:				
Subscribers	8,000,000	0.17	359,599,550	7.16
Other public shareholders	2,787,292,268	59.67	2,787,292,268	55.49
Total	4,671,601,752	100.00	5,023,201,302	100.00

Notes:

- a. These 572,839,044 Shares are held by Mr. Jiang Jianjun (“**Mr. Jiang**”) as to 220,540,000 Shares, Ms. Li Zhuoxun, the spouse of Mr. Jiang, as to 5,840,000 Shares, King Wei Group (China) Investment Development Limited (“**King Wei**”) as to 253,259,044 Shares and China Silver Investments Development Limited (“**China Silver**”) as to 93,200,000 Shares. As King Wei and China Silver are wholly-owned by Mr. Jiang, Mr. Jiang is deemed to be interested in the 253,259,044 Shares held by King Wei and the 93,200,000 Shares held by China Silver respectively by virtue of the SFO.

- b. These 660,000,000 Shares are held by Beidahuang (HK) International Trade Co., Limited, which is wholly-owned by 黑龍江農墾北大荒商貿集團有限責任公司 which in turn is wholly-owned by 黑龍江北大荒農墾集團總公司. Accordingly, each of 黑龍江農墾北大荒商貿集團有限責任公司 and 黑龍江北大荒農墾集團總公司 is deemed to be interested in the 660,000,000 Shares held by Beidahuang (HK) International Trade Co., Limited by virtue of the SFO.
- c. These 380,180,000 Shares are held by Able Turbo Enterprises Limited (“**Able Turbo**”) as to 225,783,474 Shares and China Food and Beverage Group Limited (“**China Food**”) as to 154,396,526 Shares. As China Food is wholly-owned by Able Turbo, Able Turbo is deemed to be interested in the 154,396,526 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 the SFO.
- d. These 260,290,440 Shares are held by Mr. Li Jiehong as to 252,000 Shares and Sino Insight Holdings Limited as to 260,038,440 Shares. As Sino Insight Holdings Limited is wholly-owned by Mr. Li Jiehong, Mr. Li Jiehong is deemed to be interested in the 260,038,440 Shares held by Sino Insight Holdings Limited by virtue of the SFO.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

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; wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food; participation in public-private partnership projects in the PRC; and the rental of logistic warehouse in Hong Kong.

The Directors consider that the Subscription represents an opportunity to raise additional funding for the Group’s business operation and it will also strengthen the capital base and financial position for the Group’s future business developments and broaden the Shareholder base of the Company. Furthermore, the Directors consider that the Subscription is a preferred method of fund raising as compared with other equity fund raising exercises based on time and costs involved.

Gross proceeds from the Subscription will be approximately HK\$168.77 million. The net proceeds from the Subscription, after deducting the expenses payable by the Company, is expected to be HK\$168.70 million. It is expected that the net proceeds from the Subscription will be used by the Company for the Group's business development, investments, acquisition, repayment of loans and general working capital purposes.

The Directors (including the independent non-executive Directors) consider the terms of the Subscription Agreements, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, are fair and reasonable, and the Subscription is in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday, Sunday and public holiday) on which banks are generally open for business in Hong Kong
“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 thereto 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 held on 24 June 2016 to issue and allot up to 933,160,350 new Shares, representing 20% of the total number of the Shares 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 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
“Long Stop Date”	30 November 2016 or such later date as the Company and the Subscribers may agree
“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	subscribers who respectively entered into the Subscription Agreements with the Company on 1 November 2016
“Subscription”	the subscription of the Subscription Shares by the Subscribers pursuant to the terms and conditions of the Subscription Agreements

“Subscription Agreements”	the conditional subscription agreements all dated 1 November 2016 entered into between the Company and each of the Subscribers in relation to the Subscription subject to the terms and conditions contained therein
“Subscription Price”	HK\$0.48 per Subscription Share
“Subscription Shares”	an aggregate of 351,599,550 new Shares to be issued by the Company to the Subscribers pursuant to the Subscription Agreements
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

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

Hong Kong, 1 November 2016

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.