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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: DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET

THE DISPOSAL

The Board wishes to announce that on 4 October 2017 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company agreed to sell, and the Purchaser agreed to acquire, the Sale Shares in the Target at a cash consideration of RMB3,800,000.

Upon Completion, the Target will cease to be a wholly-owned subsidiary of the Company and the accounts of the Target will not be consolidated by the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board wishes to announce that on 4 October 2017 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement in respect of the Disposal.

The principal terms of the Sale and Purchase Agreement are set out below:

THE SALE AND PURCHASE AGREEMENT

Date

4 October 2017

Parties

Vendor : the Company

Purchaser : Big Fame Industrial Limited, a company incorporated in Hong Kong with limited liability

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, (i) the principal activity of the Purchaser is investment holding; and (ii) the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be disposed of

The Company agreed to sell, and the Purchaser agreed to acquire, the Sale Shares in the Target, free from all encumbrances together with all rights and benefits attaching thereto at any time on or after the Completion.

Consideration

The Consideration for the Disposal is RMB3,800,000, which will be settled by the Purchaser to the Company in cash at Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms and the parties have made reference to the unaudited consolidated net asset value of the Target as at 31 August 2017.

Conditions precedent to the Disposal

Completion of the Disposal is subject to satisfaction of the following conditions precedent:

- (a) all approvals and consents have been obtained from the Board for the Disposal;
- (b) all necessary approvals, consents and waivers have been obtained from all government bodies (if applicable) and relevant parties for the Disposal; and
- (c) the Purchaser has been satisfied with and accepted the due diligence results for the Target and the JV Co.

Completion

Completion shall take place on the third Business Day following the due fulfilment of all of the conditions precedent of the Sale and Purchase Agreement or at such other time as the Purchaser and the Company may agree.

Upon Completion, the Target will cease to be a wholly-owned subsidiary of the Company and the accounts of the Target will not be consolidated by the Company.

INFORMATION ON THE TARGET

As at the date of this announcement, the Target is an intermediary investment and holding subsidiary company of the Group. The only investments of the Target are the holding of (i) the Economic Benefits and Control Rights through a Control Deed, and (ii) the Option in respect of the 70% equity interests in the JV Co., details of which were disclosed in the announcements of the Company dated 1 December 2009 and 13 January 2010 and the circular of the Company dated 24 December 2009. The JV Co. is principally engaged in the sale and distribution of wine and liquor in the PRC through its own specialty chain stores and franchise stores in Guangzhou, the PRC and is the exclusive distributor of Diancang Jiugui and Meiming Wenshi in the PRC until May 2020.

The audited consolidated financial information of the Target for the years ended 31 December 2015 and 31 December 2016 is set out below:

	For the year ended 31 December 2015 RMB'000 (approximately)	For the year ended 31 December 2016 RMB'000 (approximately)
Loss before taxation	1,368	4,197
Loss after taxation	1,368	4,197

The audited consolidated net asset value of the Target as at 31 December 2015 and 2016 were approximately RMB18.8 million and RMB5.4 million respectively.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. 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; money lending and the rental of logistic warehouse in Hong Kong and office facilities in the PRC.

Since 2012, the revenue of the wine and liquor 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 plasticizer contamination scandal. The Directors are of the view that the difficult operating environment of the liquor industry in the PRC is not temporary and will continue at least in the foreseeable future. Taking into account of the negative prospect of the liquor industry in the PRC, the Directors consider the Disposal is a good opportunity to realise the Company's investment in the Target at a reasonable price.

It is estimated that upon Completion, the Group will record no gain or loss, which is calculated with reference to the difference between (i) the Consideration and (ii) the unaudited consolidated net asset value of approximately RMB3.8 million of the Target. The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to the review and final audit by the auditor of the Company. The Company intends to use the net proceeds from the Disposal as general working capital of the Group.

The terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Disposal is more than 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day”	a day (not being a Saturday) on which banks are open for general banking business in Hong Kong

“Company”	China Beidahuang Industry Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	the completion of the Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consideration”	the sum of RMB3,800,000, being the consideration for the Sale Shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company to the Purchaser pursuant to the terms of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third party who are independent of and not connected with the Company and its connected persons
“JV Co.”	Guangzhou Wine and Liquor Franchised Stores Ltd, a company registered as a sino-foreign equity joint venture under the PRC laws on 6 August 1999
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China

“Purchaser”	Big Fame Industrial Limited, a company incorporated in Hong Kong with limited liability
“RMB”	Renminbi, the lawful currency in the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 4 October 2017 entered into between the Company and the Purchaser in relation to the Disposal
“Sale Shares”	the 4,694,001 shares, representing the entire issued share capital of the Target as at the date of the Sale and Purchase Agreement entered into between the Company and the Purchaser
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Rightsouth Limited, a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 4 October 2017

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Jiang Jiancheng, Mr. Ke Xionghan and Mr. Zeng Fanxiong; 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.