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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)

VOLUNTARY ANNOUNCEMENT MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION AND POSSIBLE COOPERATION

This is a voluntary announcement made by China Beidahuang Industry Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to provide shareholders of the Company and potential investors on the Group’s latest business development.

THE POSSIBLE ACQUISITION AND POSSIBLE COOPERATION

The board (the “**Board**”) of directors (the “**Directors**”) of the Company announces that, on 20 March 2020, the Company entered into a non-legally binding memorandum of understanding (the “**Memorandum**”) with Ningxia Yinhe Huixin Technology Investment Co., Ltd.* (寧夏銀河滙信科技投資有限公司) (“**Ningxia YH**”) and Zhou Zhijie* (周志杰) (“**Mr. Zhou**”, together with Ningxia YH, collectively, the “**Existing Shareholders**”, together with the Company, collectively, the “**Parties**”) pursuant to which the Company intends to acquire (the “**Possible Acquisition**”) 20% equity interest in Ningxia Chenggong Red Chateau Daymore Management Service Co., Ltd.* (寧夏成功紅黛墨酒莊管理服務有限公司) (the “**Target Company**”), and the Target Company will be held as to 46.67%, 32.33% and 20% by Ningxia YH, Mr. Zhou and the Company, respectively. The consideration may be satisfied in cash or by way of share swap.

According to the Memorandum, the Company shall cooperate with the Existing Shareholders on the operation of the Target Company, where the Company shall provide support to the existing wine business, including sales channel warehousing, and integrate the Parties' resources with a view to maximise the relevant benefits (the "**Possible Cooperation**").

The Target Company

According to the Memorandum, the Target Company has a consolidated industry chain relating to wine, and it is principally engaged in grape planting management, virus-free seedling breeding, ecological winery management, urban wine-cellar chain and anti-counterfeiting products system. The Target Company has constructed a 1,200-Mu virus-free wine grape seedling breeding base in Wuzhong, Ningxia, the PRC, and such base was named as a national-level imported isolation planting nursery and China's largest wine grape seedling breeding centre. Moreover, the Target Company has constructed a 3,000-Mu organic grape plantation in the Eastern Foothills of Helan Mountain, Ningxia, the PRC, which produces 1,500 tons of wine per year. In 2017, Chenggong Red Chateau Daymore* (成功紅黛墨酒莊) had seek nationwide funding to establish Chateau Daymore (黛墨酒莊) urban wine cellars, and there are currently 30 franchise stores of urban wine cellar.

According to the Memorandum, the Target Company is held as to 66.67% and 32.33% by Ningxia YH and Mr. Zhou, respectively. Each of Ningxia YH and Mr. Zhou is one of the founding members of the Target Company, and Mr. Zhou is the legal representative of the Target Company.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquires, each of the Existing Shareholders and their respective ultimate beneficial owners is independent of, and not connected with, the Company and any of its connected persons (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")).

Profit Guarantee

The Existing Shareholders shall provide profit guarantee in respect of the Target Company, which shall be not less than RMB30 million per year.

Formal Agreement, Due Diligence and Binding Effect

According to the Memorandum, the Parties will proceed with further negotiation for the entering into the formal agreement in respect of the Possible Acquisition (the “**Formal Agreement**”) within six months from the date of the Memorandum, or such other date as may be agreed by the Parties (the “**Exclusivity Period**”). The Parties will negotiate to enter into a definitive cooperation agreement upon the commencement of the Possible Cooperation.

The Company shall be entitled to carry out due diligence investigations in respect of the Target Company and its business operations, and the Existing Shareholders shall provide assistance to the Company in that respect. During the Exclusivity Period, the Existing Shareholders shall not procure, negotiate and/or enter into discussions with any third party/parties for the purposes of entering into arrangements or transactions similar to those contemplated by the Memorandum.

According to the Memorandum, the Memorandum does not create any legally binding obligations on the Parties.

GENERAL

The Company is an investment holding company. The Group is principally engaged in sale of green food products; wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food; construction for municipal public project; flotation selection of non-ferrous metals mines and sales of mineral products; money lending and the rental of logistic warehouse in Hong Kong and office facilities in the PRC.

The Possible Acquisition, if materialises, may constitute a notifiable transaction for the Company under the Listing Rules. Should the Company enter into the Formal Agreement or if there are any material developments with respect to the Possible Acquisition or the Possible Cooperation, the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

The Board wishes to emphasise that no binding agreement in relation to the Possible Acquisition or the Possible Cooperation has been entered into as at the date of this announcement. As such, the Possible Acquisition or the Possible Cooperation may or may not materialise or proceed as contemplated or at all. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Beidahuang Industry Group Holdings Limited
Li Jiehong
Chairman

Hong Kong, 20 March 2020

As at the date of this announcement, the executive Directors are Mr. Li Jiehong (Chairman) and Mr. Ke Xionghan; the non-executive Director is Ms. Ho Wing Yan; and the independent non-executive Directors are Mr. Chong Cha Hwa, Mr. Ho Man Fai and Mr. Yang Yunguang.

** The English transliteration of the Chinese name in this announcement, where indicated, is included for information only, and should not be regarded as the official English name of such Chinese name.*