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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)

**PLACING OF CONVERTIBLE BONDS
UNDER GENERAL MANDATE**

Placing Agent



中天證券有限公司

CHINA SKY SECURITIES LIMITED

On 20 July 2020 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has agreed to appoint the Placing Agent as placing agent for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six Placées to subscribe in cash for the Convertible Bonds on the terms and subject to the conditions set out in the Placing Agreement.

Assuming the Convertible Bonds are fully placed, based on the initial Conversion Price of HK\$0.1 per Conversion Share, 1,230,000,000 Conversion Shares will be allotted and issued by the Company under the General Mandate upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 19.75% of the existing issued share capital of the Company; and (b) approximately 16.50% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

The net proceeds of the Convertible Bonds are intended to be used in the following manner: (i) HK\$119 million will be used to repay part of the outstanding balance of 2019 Convertible Bonds; and (ii) HK\$1.4 million will be used as working capital of the Group.

Shareholders and potential investors of the Company should note that the Placing is subject to the fulfillment of the conditions precedent set out in the Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

On 20 July 2020 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has agreed to appoint the Placing Agent as placing agent and underwriter for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six Placees to subscribe in cash for the Convertible Bonds on the terms and subject to the conditions set out in the Placing Agreement.

Details of the Placing Agreement are summarised as follows:

Date

20 July 2020 (after trading hours)

Parties

- (1) the Company (as the issuer) and
- (2) the Placing Agent (as the placing agent).

As at the date of this announcement and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing of the Convertible Bonds

The Placing Agent undertakes during the Placing Period to procure, on a best effort basis, at least six Placees for the subscription of the Convertible Bonds. The Placing Agent is liable for its obligations under the Placing Agreement.

The Placees

The choice of Placees for the Convertible Bonds will be determined by the Placing Agent, subject to the requirements of the Listing Rules (in particular, the Placing Agent will use all reasonable endeavours to ensure that each of the Placees be independent of and not connected with the Company or its connected persons, and that it is not acting in concert with the connected persons in relation to the control of the Company).

Placing Agent Fee

In consideration of the services of the Placing Agent in relation to the Placing, the Company will pay to an agency fee calculated on 2% of the total principal amount of the Convertible Bonds which are successfully placed by the Placing Agent. The agency fee was determined after arm's length negotiations between the Company and the Placing Agent with reference to market rates.

Principal Terms of the Convertible Bonds

Issuer	:	The Company
Principal amount	:	up to HK\$123,000,000
Issue price	:	100% of the principal amount of the Convertible Bonds

- Interest : The Convertible Bonds shall bear interest from the date of issue at 12% per annum on the principal amount of the Convertible Bonds, payable in arrears on 30 June and 31 December each year respectively between the date of issue of the Convertible Bonds and the Maturity Date.
- Maturity Date : 31 December 2021 or, if that is not a Business Day, the first Business Day thereafter.
- Status : The Convertible Bonds constitute direct, unconditional and unsecured obligations of the Company and will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.
- Conversion Price : The initial Conversion Price is HK\$0.10 per Share and represents:
- (i) a premium of approximately 28.2% over the closing price of HK\$0.078 per Share as quoted on the Stock Exchange's daily quotation sheets on the date of the Placing Agreement; and
 - (ii) a premium of approximately 27.2% over the average closing price of HK\$0.0786 per Share as quoted on the Stock Exchange's daily quotation sheets for the last five trading days up to and including the date of the Placing Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to the recent trading performance of the Shares, business prospects of the Group and the par value of the Shares. The Directors consider that the Conversion Price is fair and reasonable under the current market conditions.

Upon full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 1,230,000,000 Shares, representing approximately 19.75% of the existing issued share capital of the Company and approximately 16.50% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

The total number of Conversion Shares to be issued upon exercise of the conversion rights attached to the Conversion Bonds is limited to 1,230,000,000 (including additional shares to be issued from any adjustment to be made to the Conversion Price as mentioned above) and such maximum number of shares is within the General Mandate.

- Adjustment events : The Conversion Price will be subject to adjustment from time to time upon occurrence of certain events:
- (i) consolidation, subdivision or reclassification of Shares;
 - (ii) capitalisation of profits or reserves;
 - (iii) capital distribution;
 - (iv) offer of new Shares for subscription by way of rights issue or grant of options or warrants to Shareholders, to subscribe for Shares at a price per Share which is less than 80% of the market price per Share at the relevant time;

- (v) issue of any securities wholly for cash which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share receivable by the Company which is less than 80% of the market price per Share at the relevant time;
- (vi) issue being made by the Company of new Shares wholly for cash (other than those as mentioned in (iv) and (v) above) at a price per Share which is less than 80% of the market price per Share at the relevant time;
- (vii) issue of Shares for the acquisition of any asset at a consideration per Share receivable by the Company which is less than 80% of the market price per Share at the relevant time; or
- (viii) other events or circumstances not mentioned in (i) to (vii) above which the Company or the Bondholders may determine that a consequential adjustment should be made to the Conversion Price.

Conversion rights : Subject to the restrictions set out below, Bondholders shall have the right to convert in whole or in part the principal amount of the Convertible Bonds at any time from its date of issue up to and including the date which is 5 Business Days prior to the Maturity Date in amounts of whole multiples of HK\$100,000 on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$100,000, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be converted.

No Conversion Shares will be issued unless the Bondholder confirms that it/he will comply with the Takeovers Code in respect of any acquisition of voting rights in the Company upon the issue to it/him of the Conversion Shares.

Conversion restrictions : The exercise of the conversion rights attaching to the Convertible Bonds is subject to the following restrictions:

- (i) for so long as the Shares remaining listed on the Stock Exchange, the Company shall not be obliged to issue any Conversion Shares if, upon conversion, the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares cannot be maintained. In such event, the Bondholder shall be entitled to elect to convert such number of Convertible Bonds as it/he is entitled to convert, without such conversion resulting in the public float of the Shares of the Company falling below the requirements of the Listing Rules; and
- (ii) the total number of Conversion Shares to be issued must be within the limit of 1,230,000,000 Shares.

Ranking : The Conversion Shares, when converted upon exercise of the conversion rights attaching to the Convertible Bonds by the Bondholders thereto, will be issued as fully paid up and rank pari passu in all respects with the Shares in issue at the time when such Conversion Shares are allotted and issued, including the right to receive all dividends and distributions which may be declared, made or paid after the allotment and issue of the Conversion Shares and will be issued free and clear of all liens, encumbrances, equities or other third party rights.

Transferability : The Convertible Bonds (or any part thereof) may not be assigned or transferred to any person (whether or not a connected person of the Company) without the prior written consent of the Company which consent must not be unreasonably withheld. Any assignment or transfer shall be subject to all applicable laws and regulations (including but not limited to the Listing Rules) and approval of the Shareholders (if required).

Redemption : The Company may at any time, by giving to the Bondholder(s) not less than 5 Business Days notice in writing, redeem the whole or part of the outstanding principal amount of the Convertible Bonds held by the Bondholder(s) at face value together with the accrued and unpaid interest on the principal amount to be redeemed.

Any principal amount of the Convertible Bonds which has not been converted or redeemed prior to the Maturity Date shall be redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of the outstanding Convertible Bonds and interest accrued and outstanding pursuant to the terms and conditions of the Convertible Bonds.

Events of default : If, amongst others, any of the following events occurs and if capable of being remedied, is not remedied within 30 Business Days after a default redemption notice is given by the Bondholder(s), the Convertible Bonds shall become immediately due and payable at 100% of the principal amount of the Convertible Bonds then outstanding together with interest accrued thereon:

- (i) the listing of the Shares on the Stock Exchange ceases other than resulting from (a) an offer made to the Shareholders to acquire all or any proportion of the Shares becoming unconditional or (b) a suspension at the request of either the Company or the Stock Exchange pending the release of an announcement and/or for the purpose of complying with any relevant requirements of the Listing Rules or the Takeovers Code;
- (ii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the conditions of the Convertible Bonds;
- (iii) the Company fails to pay the principal amount of the Convertible Bonds when due or the Company fails to issue the Conversion Shares in accordance with the conditions of the Convertible Bonds;
- (iv) the occurrence of any event so as to render unlawful the performance by the Company of any of its material obligations contained in the conditions of the Convertible Bonds;
- (v) any indebtedness of the Company, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period provided that the total of the above indebtedness equals or exceeds HK\$700,000,000;
- (vi) an encumbrancer takes possession or a receiver is appointed for the whole or any part of the undertaking or assets of the Company;
- (vii) the appointment of any administrator, liquidator or receiver of the Company or any of its major subsidiaries;

(viii) a court order is made or an effective resolution is passed for winding-up of the Company; and

(ix) seizure is enforced upon all or a material part of the assets of the Company.

Voting : The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it/him being the Bondholders.

Application for listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange in any jurisdiction.

Conditions precedent to the Placing

Completion of the Placing Agreement is conditional upon the fulfillment of the following conditions:

- (a) the Listing Division of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked approval for the listing of, and permission to deal in the Conversion Shares; and
- (b) the compliance of any other requirements under the Listing Rules and Takeovers Code or otherwise of the Stock Exchange and/or the SFC which requires compliance in relation to the Placing and the Issue.

If any of the foregoing conditions is not fulfilled on or before the Long Stop Date (or such other date as may be agreed between the Company and the Placing Agent in writing), the Placing Agreement shall terminate and cease to have any force and effect and the parties thereto will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof. The Placing Agent will provide to the Company all information concerning itself and the Placees as the Stock Exchange may reasonably require.

Application will be made by the Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Completion of the Placing

Completion will take place on or before 10 August 2020 (or such later date as the Company and the Placing Agent may agree in writing) which shall be after the fulfillment of all the conditions precedent.

Termination of the Placing Agreement

The Placing Agent shall have the right to terminate the Placing Agreement before the expiry of the Placing Period if:

- (a) in the reasonable opinion of the Placing Agent, the Placing would be materially and adversely affected by:
 - (i) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Company or the Group as a whole; or
 - (ii) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, financial, economic, currency, market or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, affecting local securities markets; or
 - (iii) any material adverse change in the business or in the financial or trading position or prospect of the Company or the Group as a whole; or
 - (iv) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Company or the Group as a whole; or

- (v) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange whether due to exceptional financial circumstances or otherwise; or
 - (vi) the commencement by any third party of any litigation against any member of the Group which is or might be material to the Company or the Group taken as a whole; or
- (b) any adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing; or
- (c) the Announcement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which in the reasonable opinion of the Placing Agent is material to the Group as a whole and is likely to affect materially and adversely the success of the Placing; or
- (d) any breach (which is material in the reasonable opinion of the Placing Agent) of any of the representations, warranties and undertakings given by the Company in the Placing Agreement comes to the knowledge of the Placing Agent or there has been a breach (which is material in the reasonable opinion of the Placing Agent) of any other provision of the Placing Agreement.

GENERAL MANDATE

The Conversion Shares falling to be issued upon conversion of the Convertible Bonds will be issued under the General Mandate. Accordingly, the issue of the Conversion Shares is not subject to Shareholders' approval again. Under the General Mandate, the Company is authorised to allot and issue up to 1,245,025,136 Shares. Prior to the signing of the Placing Agreement by the parties, no Shares have been issued under the General Mandate. The aggregate number of Shares which may fall to be issued upon full conversion of the Convertible Bonds at the initial Conversion Price is 1,230,000,000 Shares representing approximately 19.75% of the existing issued share capital of the Company and approximately 16.50% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

REASONS FOR THE PLACING AND USE OF 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; money lending and the rental of logistic warehouse in Hong Kong and office facilities in the PRC.

In 2017, the Company issued 2019 Convertible Bonds and the 2019 Convertible Bonds were expired in June 2019 and the outstanding balance of the Convertible Bonds was approximately HK\$215 million as at the date of this announcement.

Assuming the Convertible Bonds are fully placed by the Placing Agent, the gross and net proceeds from the Placing are estimated to be approximately HK\$123 million and HK\$120.4 million respectively. The net price for the Placing is approximately HK\$0.09789 per Conversion Share. The Company intends to apply the net proceeds from the Placing in the following manner: (i) HK\$119 million will be used for the repay part of the outstanding balance of 2019 Convertible Bonds; and (ii) HK\$1.4 million will be used as working capital of the Group. The Directors consider that the Placing provides a means to reduce the amount of default balances.

The Directors (including the independent non-executive Directors) consider the terms of the Convertible Bonds and the Placing are negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (a) there is no change in the issued share capital of the Company from the date of this announcement and up to the date of full conversion of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price (other than as a result of the allotment and issue of the Conversion Shares); and (b) all of the Convertible Bonds are placed in full, the shareholding structures of the Company (i) as at the date of this announcement and (ii) immediately after the allotment and issue of all the Conversion Shares are summarised as follows:

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the allotment and issue of all the Conversion Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Directors				
Li Jiehong (<i>note (a)</i>)	58,568,000	0.94	58,568,000	0.79
Ke Xionghan	<u>4,240,000</u>	<u>0.07</u>	<u>4,240,000</u>	<u>0.06</u>
	62,808,000	1.01	62,808,000	0.85
Substantial shareholders				
Jiang Jianjun (<i>note (b)</i>)	914,504,226	14.69	914,504,226	12.27
Beidahuang (HK) International Trade Co., Limited	<u>660,000,000</u>	<u>10.60</u>	<u>660,000,000</u>	<u>8.85</u>
	1,574,504,226	25.29	1,574,504,226	21.12
Public shareholders				
Places	–		1,230,000,000	16.50
Other public	<u>4,587,813,457</u>	<u>73.70</u>	<u>4,587,813,457</u>	<u>61.53</u>
Total	<u><u>6,225,125,683</u></u>	<u><u>100.00</u></u>	<u><u>7,455,125,683</u></u>	<u><u>100.00</u></u>

Notes

- (a) These 58,568,000 Shares comprised 224,000 Shares beneficially owned by Mr. Li Jiehong (“**Mr. Li**”), 44,592,000 Shares owned by the spouse of Mr. Li and 13,752,000 Shares owned by a corporation wholly owned by Mr. Li.
- (b) These 914,504,226 Shares comprised 456,173,182 Shares beneficially owned by Mr. Jiang Jianjun (“**Mr. Jiang**”) and 458,331,044 Shares held by King Wei Group (China) Investment Development Limited (as to 237,051,044 Shares) and China Silver Investments Development Limited (as to 221,280,000 Shares) and these two aforesaid companies are understood to be wholly owned by Mr. Jiang

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

There is no equity fund raising activity conducted by the Company in the past 12 months immediately preceding the date of this announcement.

Shareholders and potential investors of the Company should note that the Placing is subject to the fulfillment of the condition precedent set out in the Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2019 Convertible Bonds”	the convertible bonds of principal amount HK\$200,000,000 issued by the Company and the completion of the transaction was announced by the Company on 8 June 2017
“Board”	the board of the Directors
“Bondholder(s)”	holder (s) of the Convertible Bonds
“Business Day”	a day on which banks in Hong Kong are open for business, excluding a Saturday or Sunday

“Company”	China Beidahuang Industry Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Stock Exchange
“Completion”	completion of the Placing pursuant to the provisions of the Placing Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.1 per Conversion Share (subject to adjustment)
“Conversion Share(s)”	the Share(s) which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds in a maximum aggregate principal amount of up to HK\$123,000,000, to be issued by the Company to the Placees procured by the Placing Agent in accordance with the terms and conditions of the Placing Agreement
“Directors”	directors 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 30 June 2020 to allot, issue and deal with up to 1,245,025,136 Shares, representing 20% of the total number of Shares in issue on the date of the passing of such resolution
“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
“Long Stop Date”	10 August 2020 (or such other date as may be agreed between the Company and the Placing Agent in writing)
“Maturity Date”	31 December 2021 or, if that is not a Business Day, the first Business Day thereafter
“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any principal amount of the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Bonds procured by or on behalf of the Placing Agent to selected Placees on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	China Sky Securities Limited, a company licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 20 July 2020 in relation to the Placing
“Placing Period”	the period from 20 July 2020 to 10 August 2020 (or such later time and date as the Placing Agent and the Company may agree in writing), unless terminated earlier pursuant to the terms of the Placing Agreement
“PRC”	the People’s Republic of China (which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)

“SFO”	the 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
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 20 July 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 and Mr. Yang Yunguang.