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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)

INSIDE INFORMATION

**LEGALLY BINDING TERM SHEET REGARDING
THE PROPOSED RESTRUCTURING
AND
RESUMPTION OF TRADING**

THE PROPOSED RESTRUCTURING

On 29 March 2023, the Company and the Investor entered into the legally binding Term Sheet in connection with the Proposed Restructuring. Pursuant to the Term Sheet, the Company will conduct the Proposed Restructuring which involves (i) the Subscription and (ii) the Creditors' Scheme between the Company and the Scheme Creditors (including the Scheme Share Issue). The completion of the Proposed Restructuring is subject to the satisfaction (or waiver, as the case may be) of the Conditions Precedent.

THE SUBSCRIPTION

On 29 March 2023, the Company and the Investor entered into the legally binding Term Sheet and pursuant to which, inter alia, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 850,000,000 Subscription Shares under the Specific Mandate at the subscription price of HK\$0.10 per Share for an aggregate subscription price of HK\$85,000,000, representing approximately 11.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Scheme Shares.

THE CREDITORS' SCHEME

On 29 March 2023, the Company and the Investor entered into the legally binding Term Sheet and pursuant to which, inter alia, the Company will initiate a Creditors' Scheme between the Company and the Scheme Creditors. Under the proposed terms of the Creditors' Scheme set out in the Term Sheet, upon Completion, the Scheme Creditors will release the Company of, and the Company will be fully discharged of, the Scheme Creditors' claims against the Company, including but not limited to any interest or penalties arising from any debts owed by the Company to the Scheme Creditors, in exchange for cash payment to be made and/or the Scheme Shares to be allotted and issued by the Company in proportion to their admitted claims against the Company. Under the Creditors' Scheme and subject to the terms thereof, inter alia, the Creditors' Scheme will be funded by (i) proceeds from the Subscription in the amount of HK\$45,000,000, (ii) 377,879,793 Scheme Shares to be allotted and issued by the Company under the Specific Mandate, which the Scheme Creditors may elect to receive as Shares or proceeds of the sale therefrom, and (iii) the proceeds from the proposed disposal of Scheme Assets.

The implementation of the Creditors' Scheme is conditional on the satisfaction (or waiver, as the case may be) of the Conditions Precedent. Further details of the terms of the Creditors' Schemes will be set out in the Scheme Document.

LISTING RULES IMPLICATION

As the Subscription Shares and the Scheme Shares will be allotted and issued under the Specific Mandate to be obtained at the EGM, the Subscription and the Scheme Share Issue are subject to Shareholders' approval.

In respect of the proposed disposal of the Scheme Assets, the specific terms of the disposal have yet to be determined and are not agreed under the Term Sheet. Further announcement(s) will be made as and when necessary.

GENERAL

The EGM will be convened and held for Shareholders to consider and, if thought fit, approve, among other things, the grant of the Specific Mandate. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution(s) will be taken by way of poll at the EGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the transactions contemplated under the Term Sheet as at the date of this announcement. Accordingly, no Shareholder is required to abstain from voting on the relevant resolution(s).

A circular containing, among other things, (i) further details of the Term Sheet and transactions contemplated thereunder (including the Proposed Restructuring), (ii) a notice convening the EGM, and (iii) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading of Shares was halted with effect from 9:00 a.m. on Thursday, 30 March 2023. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on Monday, 3 April 2023.

The Proposed Restructuring (including the Subscription, the Scheme Share Issue and the Creditors' Scheme) are subject to certain conditions being fulfilled or waived, as applicable, and thus the Proposed Restructuring may or may not be implemented or proceed to Completion. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

References are made to the announcements issued by the Company dated 10 January 2023, 27 January 2023, 15 March 2023, 23 March 2023 and 30 March 2023 in relation to, among other things, the Petition, the Proposed Restructuring, and the trading halt of the Shares on the Stock Exchange pending release of an inside information announcement (the “**Announcements**”). Unless otherwise stated or defined herein, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

THE TERM SHEET

On 29 March 2023, the Company and the Investor entered into the legally binding Term Sheet in connection with the Proposed Restructuring. Pursuant to the Term Sheet, the Company will conduct the Proposed Restructuring which involves (i) the Subscription and (ii) the Creditors’ Scheme between the Company and the Scheme Creditors (including the Scheme Share Issue). The completion of the Proposed Restructuring is subject to the satisfaction (or waiver, as the case may be) of the Conditions Precedent.

The Term Sheet is legally binding on the Company and the Investor, but is intended to be superseded by the Restructuring Agreement, which is expected to be entered into between the Company and the Investor within 45 days of the acceptance of the terms of and the signing of the Term Sheet. The principal terms of the Term Sheet are set out below.

Date

29 March 2023

Parties

- (1) the Company; and
- (2) the Investor

The Subscription

Under the Term Sheet, the Investor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, the Subscription Shares.

Number of Subscription Shares: 850,000,000 Shares, representing approximately 11.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Scheme Shares.

Subscription Price: HK\$0.10 per Share, for an aggregate subscription price of HK\$85,000,000.

Ranking of the Subscription Shares: The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the then existing shares in issue on the date of allotment and issue of the Subscription Shares.

Conditions Precedent: Please refer to the section headed “Conditions Precedent” below.

Completion: Please refer to the section headed “Completion” below.

Use of Proceeds: Out of the aggregate subscription price of HK\$85,000,000:

- (i) HK\$20,000,000 will be used to pay professional fees incurred or to be incurred by the Company to support the implementation of the Proposed Restructuring;
- (ii) HK\$45,000,000 will be used for the benefit of the Scheme Creditors as set out in the section headed “Creditors’ Scheme” below; and
- (iii) HK\$20,000,000 will be used as working capital of the Company.

The Subscription Price of HK\$0.10 per Share represents:

- a discount of approximately 52.38%, based on the closing price HK\$0.210 per Share as quoted on the Stock Exchange on the Last Trading Date; and
- a discount of approximately 51.55%, based on the average closing price of HK\$0.2064 per Share as quoted on the Stock Exchange on the five consecutive trading days up to and including the Last Trading Date.

The Subscription Price was determined by the Company and the Investor on an arm's length basis having taken into account, among other things, (i) the current financial position of the Company, (ii) the remaining operations and assets of the Group following the expected disposal of the Scheme Assets, and (iii) the prevailing market sentiment in relation to investment in listed companies in similar financial situation.

The Company has not conducted any fund raising activities by way of issuing equity securities in the 12-month period prior to the date of this announcement.

The Creditors' Scheme

Pursuant to the Term Sheet, the Company will initiate a Creditors' Scheme between the Company and the Scheme Creditors. Under the proposed terms of the Creditors' Scheme set out in the Term Sheet, upon Completion, the Scheme Creditors will release the Company of, and the Company will be fully discharged of, the Scheme Creditors' claims against the Company, including but not limited to any interest or penalties arising from any debts owed by the Company to the Scheme Creditors, in exchange for cash payment to be made and/or the Scheme Shares to be allotted and issued by the Company in proportion to their admitted claims against the Company.

The proposed Creditors' Scheme pursuant to the Term Sheet will be funded by:

- (a) proceeds from the Subscription in the amount of HK\$45,000,000 (out of the aggregate subscription price of HK\$85,000,000);
- (b) the Scheme Shares to be issued pursuant to the Scheme Share Issue, which the Scheme Creditors may elect to receive as (i) Shares, or (ii) proceeds from the sale of the Scheme Shares to which they would otherwise be entitled to; and
- (c) proceeds from the proposed disposal of Scheme Assets.

The implementation of the Creditors' Scheme is conditional on the satisfaction (or waiver, as the case may be) of the Conditions Precedent (as set out in the section headed "Conditions Precedent" below). Further details of the terms of the Creditors' Schemes will be set out in the Scheme Document.

Conditions Precedent

Completion of the Proposed Restructuring is subject to the following conditions having been satisfied or waived, as the case may be:

- (a) the approval from the Stock Exchange for the listing of, and permission to deal in, all of the Subscription Shares and the Scheme Shares to be issued by the Company having been obtained, and such approval not having been revoked;
- (b) all of the relevant resolutions in connection with the Proposed Restructuring, including but not limited to the Subscription, the Scheme Share Issue and the disposal of Scheme Assets having been duly passed by the Shareholders at the duly convened extraordinary general meeting(s) of the Company in accordance with the Listing Rules and any other applicable law and regulations, and such resolutions not having been revoked or vitiated;
- (c) all of the relevant resolutions in relation to the Proposed Restructuring having been duly passed by the Board;
- (d) sanction in respect of the Creditors' Scheme having been granted by the High Court;

- (e) there being no material adverse change in the financial condition, trade barriers or property, results or operations of the Company or any relevant regulations as a whole; and
- (f) any other conditions which may be agreed by the Company and the Investor to be included in any formal agreement for the Subscription.

Application(s) will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and Scheme Shares on the Stock Exchange.

Other than Conditions Precedent (e) and (f) which can be waived by the Investor, none of the other Conditions Precedent can be waived.

Completion and Long Stop Date

Subject to the satisfaction (or waiver, as the case may be) of the Conditions Precedent, the Completion is expected to take place within 10 business days from the fulfillment (or waiver, as the case may be) of all Conditions Precedent, but in any event before the Long Stop Date.

Restructuring Costs

In the event that the Completion does not take place, the Investor undertakes to pay the Restructuring Costs to the extent incurred by the Company.

The Investor agrees to grant an interest-free loan facility in the principal amount of up to HK\$20,000,000 to the Company for the sole purpose of settling the Restructuring Costs. Upon the Completion, any outstanding liabilities for the Company to pay the Investor under this loan facility shall be set-off against part of the consideration for the Subscription on dollar-for-dollar basis.

The Company further undertakes that it shall not agree to any payment arrangement with any professional parties unless prior written consent from the Investor has been obtained (such written consent shall not be unreasonably withheld, conditioned or delayed).

Termination

Except for certain surviving clauses under the Term Sheet, in the event that any Conditions Precedent are not or becomes incapable of being satisfied by the Long Stop Date (other than as a result of an act or omission by either the Investor or the Company), either party shall have the right to terminate the Term Sheet and any negotiations and/or agreement in connection with the Proposed Restructuring by giving notice in writing to the other party.

Exclusivity Period

Under the terms of the Term Sheet, the Company shall not conduct any negotiations or enter into any verbal agreements or arrangements in relation to the restructuring, reorganisation, share subscription, scheme of arrangements, and/or any transactions contemplated under the Term Sheet with any third party (other than the Investor) from the date of the Term Sheet until the earlier of (i) the date of signing the Restructuring Agreement, or (ii) the termination of the Term Sheet.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TERM SHEET AND THE PROPOSED RESTRUCTURING

As disclosed in the announcement of the Company dated 23 March 2023, the Company has been exploring various options available to restructure the Group and the indebtedness concerned, including but not limited to a debt restructuring by way of a creditors' scheme of arrangement. The Board takes the view that the Proposed Restructuring pursuant to the Term Sheet represents a good opportunity for the injection of new investment into the Group, without which the expected returns to the Scheme Creditors would likely be lower or become minimal.

The Board is of the opinion that the terms of the Term Sheet (including the Subscription Price) were determined after arm's-length negotiations, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE INVESTOR

The Investor is a company incorporated in Hong Kong with limited liability and is wholly owned by CIS Fund, which is wholly owned by CIS Opportunities, which in turn is wholly owned by CIS Investments, which in turn is wholly owned by CIS Group.

CIS Group is ultimately beneficially owned as to 31.96% by Kan King Yee, Karen, 25.60% by Lun Shunhua, 23.60% by Tan Shenning, 10.50% by New Sky and as to 8.34% by two other persons. New Sky is wholly owned by Chu Wai Leung.

The core business of CIS Group Limited and its subsidiaries include, among others, securities and asset management, equity and debt capital market, insurance and wealth management, capital and equity investment, money lending and immigration service.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Investor and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

INFORMATION ON THE GROUP

The Group is principally engaged in sale and distribution of wine, liquor and green food products in the PRC.

LISTING RULES IMPLICATION

As the Subscription Shares and the Scheme Shares will be allotted and issued under the Specific Mandate to be obtained at the EGM, the Subscription and the Scheme Share Issue are subject to Shareholders' approval.

In respect of the proposed disposal of the Scheme Assets, the specific terms of the disposal have yet to be determined and are not agreed under the Term Sheet. Further announcement(s) will be made as and when necessary.

GENERAL

The EGM will be convened and held for Shareholders to consider and, if thought fit, approve, among other things, the grant of the Specific Mandate. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution(s) will be taken by way of poll at the EGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has a material interest in the transactions contemplated under the Term Sheet as at the date of this announcement. Accordingly, no Shareholder is required to abstain from voting on the relevant resolution(s).

A circular containing, among other things, (i) further details of the Term Sheet and transactions contemplated thereunder (including the Proposed Restructuring), (ii) a notice convening the EGM, and (iii) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders in accordance with the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading of Shares was halted with effect from 9:00 a.m. on Thursday, 30 March 2023. Application has been made by the Company to the Stock Exchange for the resumption of trading of the Shares with effect from 9:00 a.m. on Monday, 3 April 2023.

WARNING

Shareholders and potential investors of the Company should be aware that the Proposed Restructuring (including the Subscription, the Scheme Share Issue and the Creditors' Scheme) are subject to certain conditions being fulfilled or waived, as applicable, and thus the Proposed Restructuring may or may not be implemented or proceed to Completion. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“CIS Fund”	CIS Fund OFC, an open-ended fund company incorporated in Hong Kong under Part IVA of the SFO
“CIS Group”	CIS Group Limited, a company incorporated in Samoa with limited liability
“CIS Investments”	CIS Investments Limited, a company incorporated in Samoa with limited liability
“CIS Opportunities”	CIS Opportunities Holdings Limited, a company incorporated in Samoa with limited liability
“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 Stock Exchange
“Conditions Precedent”	the conditions precedent to the Proposed Restructuring, the details of which are set out in the section headed “Conditions Precedent” in this announcement
“Creditors’ Scheme”	the proposed scheme of arrangement to be entered into between the Company and the Scheme Creditors
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, among other matters, the grant of the Specific Mandate

“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	independent third parties who are not connected persons (as defined under the Listing Rules) of the Company and are independent of and not connected with the connected persons of the Company
“Investor”	China Dynamic (Hong Kong) Limited 中泰(香港)有限公司, a company incorporated in Hong Kong with limited liability
“Last Trading Date”	29 March 2023, being the date of the Term Sheet
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	the date which is one year from the date of the Term Sheet (or any extended date as mutually agreed by the Investor and the Company in writing)
“New Sky”	New Sky Worldwide Group Limited, a company incorporated in Hong Kong with limited liability
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macao Special Administrative Region and Taiwan
“Proposed Restructuring”	the proposed restructuring of the Group, involving (i) the Subscription, and (ii) the Creditors’ Scheme between the Company and the Scheme Creditors (including the Scheme Share Issue).

“Restructuring Agreement”	the agreement(s) proposed to be entered into between the Company and the Investor in relation to the Proposed Restructuring
“Restructuring Costs”	the professional fees incurred or to be incurred by the Company in connection with the Proposed Restructuring
“Scheme Administrators”	the persons to be elected and appointed as the administrators of the Creditors’ Scheme in accordance with the terms of the Creditors’ Scheme
“Scheme Assets”	assets of the non-core business of the Group (including certain account receivables due and owing from debtors to the Group)
“Scheme Creditors”	creditors of the Company with unsecured claims admitted in the Creditors’ Scheme by the Scheme Administrators in accordance with the terms of the Creditors’ Scheme
“Scheme Document”	the documentation to be filed at the High Court relating to the Creditors’ Scheme and all other documents necessary to implement the Creditors’ Scheme
“Scheme Share Issue”	the proposed issue of Scheme Shares at an issue price of HK\$0.10 per Scheme Share as settlement of debt owed by the Company to the Scheme Creditors in the aggregate amount of HK\$37,787,979.30
“Scheme Share(s)”	377,879,793 Shares to be issued under the Scheme Share Issue, which shall rank pari passu in all respects with the then existing Shares in issue on the date of allotment and issue of the Scheme Shares
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the EGM for the allotment and issue of the Subscription Shares and the Scheme Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price under the Subscription, being HK\$0.10 per Share
“Subscription Share(s)”	850,000,000 Shares to be subscribed by the Investor under the Subscription
“Subscription”	the proposed subscription of the Subscription Shares by the Investor pursuant to the Restructuring Agreement.
“Term Sheet”	the legally binding term sheet regarding Proposed Restructuring of the Group dated 29 March 2023 entered into between the Company and the Investor
“%”	per cent.

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

Hong Kong, 2 April 2023

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun (Chairman), Mr. Ke Xionghan and Mr. Chen Chen, the Non-executive Directors are Mr. Zhao Wanjiang (Vice-chairman), Ms. Ho Wing Yan and Mr. Li Dawei, and the Independent Non-executive Directors are Mr. Chong Cha Hwa, Mr. Yang Yunguang and Mr. Chen Zhifeng.