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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)

SUPPLEMENTAL ANNOUNCEMENT

**LEGALLY BINDING TERM SHEET REGARDING
THE PROPOSED RESTRUCTURING**

Reference is made to the announcement issued by the Company dated 2 April 2023 in relation to, among other things, the Proposed Restructuring involving the Subscription and the Creditors' Scheme (the "Announcement"). Unless otherwise stated or defined herein, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

In addition to the information provided in the Announcement, the Board would like to provide further information in relation to the Proposed Restructuring.

THE SUBSCRIPTION

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;

- 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;
- a discount of approximately 12.31%, based on the average closing price of approximately HK\$0.114 per Share over the period commencing from 12 months prior and up to the signing of the Term Sheet; and
- a discount of approximately 19.64% to the net asset value per Share of approximately HK\$0.124 as at 31 December 2022 (as disclosed in the Company's 2022 annual results announcement dated 31 March 2023).

The net price per Subscription Share after the deduction of the relevant expenses incidental to the Subscription is approximately HK\$0.08.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Investor after taking into account, among other things, (i) the net asset value per Share of approximately HK\$0.124 as at 31 December 2022 (as disclosed in the Company's 2022 annual results announcement dated 31 March 2023); (ii) the current financial position of the Company and the difficulty in obtaining financing lending from banks and financial institutions to sustain the ongoing operations of the Company, (iii) the remaining operations and assets of the Group following the expected disposal of the Scheme Assets, (iv) the prevailing market sentiment in relation to investment in listed companies in similar financial situation, and (v) the Subscription being in the interests of the Company and the Shareholders as a whole.

Although there has been an increase in the Share price as against the average closing price per Share over the period commencing from 12 months prior and up to the signing of the Term Sheet, the Directors note that there has been no actual improvement on the financial outlook of the Group. As such, there is little room for the Group to negotiate for an increase the Subscription Price in any material manner.

Based on the above reasons, the Board considers that the Subscription Price, including the relevant bases and discounts to the market price of the Shares, are commercially justifiable, and represents a realistic value for prospective investors in order to raise capital for the Company within a reasonable timeframe.

THE CREDITORS' SCHEME

Creditors' claims against the Company

As at the date of this announcement, based on the available books and records of the Company, the estimated total amount of claims against the Company (including liabilities for which the Company has provided a corporate guarantee) is approximately HK\$600 – HK\$650 million. It is expected that there are 18 Scheme Creditors. These figures are indicative only and will be subject to the final determination made by the administrators of the Creditors' Scheme and adjudication under the Creditors' Scheme, when the Creditors' Scheme becomes effective. The aforesaid corporate guarantee was provided by the Company in favor of its wholly-owned subsidiary in relation to the joint and several liability that the Company assumed for the Defaulted Construction Payables, which has been disclosed in the annual report of the Company for the financial year ended 31 December 2022. The provision of the aforesaid corporate guarantee constitutes a provision of financial assistance to its wholly-owned subsidiary, and therefore does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

Details of the Creditors' Scheme, including the estimated recovery to the Scheme Creditors, have yet to be determined and are currently being finalised. Further announcement(s) providing information on the Creditors' Scheme will be made as and when appropriate.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries and based on the information available, as at the date of this announcement, all of the Scheme Creditors are Independent Third Parties.

Scheme Assets

As disclosed in the Announcement, 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; and (iii) the proceeds from the proposed disposal of Scheme Assets.

It is expected that the Scheme Assets will comprise of assets of certain non-core business of the Group, the total book value of which is estimated to be approximately RMB 400 million as at 31 December 2022.

Details of the Scheme Creditors and the Scheme Assets have yet to be determined and are currently being finalised. Further announcement(s) providing information on the Scheme Creditors and Scheme Assets, including any Listing Rules implications in relation to the disposal of the Scheme Assets, will be made as and when appropriate.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE PROPOSED RESTRUCTURING

For illustration purposes only, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Proposed Restructuring, assuming no other changes to the issued share capital of the Company from the date of this announcement to the completion of the Proposed Restructuring:

Shareholders	As at the date of this announcement		Immediately after completion of the Proposed Restructuring	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Directors				
Jiang Jianjun ^(Note 1)	459,973,182	7.27%	459,973,182	6.09%
Ke Xionghan	10,120,000	0.16%	10,120,000	0.13%
Chen Zhifeng	900,000	0.01%	900,000	0.01%
Yang Yunguang	900,000	0.01%	900,000	0.01%
Li Dawei	40,000	0.00%	40,000	0.00%
Substantial Shareholders				
Beidahuang Business Group (HK)				
International Trade Co., Limited ^(Note 2)	660,000,000	10.43%	660,000,000	8.73%
Investor and/or its nominee(s)	–	0.00%	850,000,000	11.25%
Public Shareholders				
Scheme Creditors	–	0.00%	377,879,793	5.00%
Other public Shareholders	5,197,782,901	82.12%	5,197,782,901	68.78%
Total	<u>6,329,716,083</u>	<u>100.00%</u>	<u>7,557,595,876</u>	<u>100.00%</u>

Notes:

- These 459,973,182 Shares comprise 456,173,182 Shares beneficially owned by Mr. Jiang Jianjun and 3,800,000 Shares beneficially owned by his spouse Ms. Li Zhuoxun.
- Beidahuang Business Group (HK) International Trade Co., Limited will cease to be a substantial shareholder (as defined in the Listing Rules) of the Company and will no longer be a connected person (as defined in the Listing Rules) of the Company, and Shares held by it will be counted towards the public float of the Company, immediately following completion of the Proposed Restructuring.

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.

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

Hong Kong, 23 May 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.