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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

(formerly known as Sino Distillery Group Limited 中國釀酒集團有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 00039)

CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT

On 13 May 2015, the Company entered into the Framework Agreement with the Supplier in relation to the supply of the Products.

Listing Rules Implications

As Beidahuang Marketing Co. is a substantial shareholder of Shenzhen Beidahuang (a non-wholly owned subsidiary of the Company), Beidahuang Marketing Co. is a connected person of the Company at the subsidiary level. The Supplier is the holding company of Beidahuang Marketing Co., so the Supplier and its subsidiaries are also connected persons of the Company at the subsidiary level. Therefore, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company.

The Board has approved the Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions under the Framework Agreement are fair and reasonable, and such transactions are on normal commercial terms and in the

interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the transactions under the Framework Agreement will only be subject to the reporting and announcement requirements, and be exempt from the circular, independent financial advice and independent shareholders' approval requirements.

WARNING

Shareholders and potential investors of the Company should note that although the revenue of the Group in the coming years may increase substantially due to the transactions contemplated under the Framework Agreement, there is no assurance that the gross profit or the net profit of the Group during such years will increase substantially or even increase. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

FRAMEWORK AGREEMENT

On 13 May 2015, the Company entered into the Framework Agreement with the Supplier in relation to the supply of the Products. The principal terms of the Framework Agreement are set out below:

Date:	13 May 2015
Parties:	(1) The Company; and (2) The Supplier.
Products:	Green and organic food products including but not limited to corn, cooking oil, and cereals and oils.
Term:	Three years commencing from 13 May 2015 to 31 December 2017.

Pricing: The Company may purchase or procure other members of the Group to purchase, and the Supplier may sell or procure other members of the Supplier Group to sell, the Products at prices determined on an arms' length basis, comparable to the prevailing market rates and on terms no less favourable to the Group than those available to any independent third party.

Payment Term: The Group shall make payment to the Supplier Group within 2 months after the delivery of the Products.

In respect of the supply of the Products contemplated under the Framework Agreement, any member of the Group and any member of the Supplier Group may, within the scope of the Framework Agreement, enter into specific product supply agreement setting out, among others, quantity, specification, price and delivery terms, provided that the terms of the specific product supply agreement shall not contravene those of the Framework Agreement.

The procurement department of the Company and its designated persons are mainly responsible for ascertaining the prices offered by other independent third parties, generally by way of, obtaining quotation from at least two independent third parties to determine the market price of the similar Products. The procurement department of the Company will also regularly conduct market research and update its comparable prices database from time to time, and will review the comparable prices for similar Products in each case to ensure there are sufficient comparable prices to which it could refer to and each transaction is conducted in accordance with the pricing policy set out above. If the prices offered by the Supplier Group are higher than other independent suppliers, the Group has the right to purchase the Products from other suppliers.

Proposed Annual Caps

The proposed aggregated annual caps for transactions contemplated under the Framework Agreement for each of the three years ending 31 December 2015, 2016 and 2017 are set out below:

	For year ending 31 December		
	2015	2016	2017
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Proposed annual caps	576	950	1,045

The proposed annual caps set out above are determined based on (i) the internal projections of the maximum number of tonnes of the Products that may potentially be purchased by the Group from the Supplier Group; (ii) the estimated prices for the purchases of the Products in 2015, 2016 and 2017; and (iii) the inclusion of a buffer to accommodate any unexpected changes in market condition.

Reasons for and benefits of entering into the Framework Agreement

The Group is principally engaged in sale and distribution of wine and liquor and production and sale of forages. On 4 March 2015, the Group acquired 50% of the registered capital of Shenzhen Beidahuang which is principally engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food manufactured by the Supplier Group.

The Supplier Group is principally engaged in sale of agricultural products and machinery, and operation of organic green food chain stores. Beidahuang Marketing Co., a member of the Supplier Group, also holds 50% of the registered capital of Shenzhen Beidahuang. In addition, Beidahuang HK, a member of the Supplier Group, is the holder of 180,000,000 warrants of the Company conferring the rights to subscribe up to HK\$126 million in aggregate for the Shares at HK\$0.70 per Share.

Leveraging on the relationship with the Supplier Group, the Group could procure the Products from the Supplier Group on better terms than those offered to it by third parties. Therefore, the Group could earn a profit margin when it resells such Products to its customers. In addition, the Company has the benefit of reducing the administrative burden and costs associated with compliance with laws and regulations to which the Company is subject.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and the terms of the Framework Agreement (including its annual caps) are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

None of the Directors has any material interest in the transactions contemplated under the Framework Agreement, and none of them needs to abstain from voting on the board resolution approving the Framework Agreement and the transactions contemplated thereunder.

Listing Rules Implications

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The Board has approved the Framework Agreement and the independent non-executive Directors have confirmed that the terms of the transactions under the Framework Agreement are fair and reasonable, and such transactions are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Pursuant to Rule 14A.101 of the Listing Rules, the transactions under the Framework Agreement will only be subject to the reporting and announcement requirements, and be exempt from the circular, independent financial advice and independent shareholders' approval requirements.

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DEFINITIONS

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

“Beidahuang HK”	Beidahuang (HK) International Trade Co., Limited (北大荒(香港)國際貿易有限公司), a company incorporated in Hong Kong with limited liability
“Beidahuang Marketing Co.”	北大荒營銷股份有限公司 (Beidahuang Marketing Co. Ltd.*), a company established in the PRC with limited liability
“Board”	the board of Directors
“Company”	China Beidahuang Industry Group Holdings Limited (formerly known as “Sino Distillery Group Limited”), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning given to it under the Listing Rules
“Directors”	directors of the Company
“Framework Agreement”	the framework agreement dated 13 May 2015 between the Company and the Supplier in relation to the supply of the Products

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Products”	green and organic food products including but not limited to corn, cooking oil, and cereals and oils
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shenzhen Beidahuang”	深圳北大荒綠色食品配送有限公司 (Shenzhen Beidahuang Green Food Distribution Limited*), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	黑龍江農墾北大荒商貿集團有限責任公司 (Heilongjiang Nongken Beidahuang Business Trade Liability Group Co., Ltd*), a company established in the PRC with limited liability

“Supplier Group”

the Supplier and its subsidiaries

“%”

per cent.

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

Hong Kong, 13 May 2015

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing, Mr. Qu Shuncaï and Mr. Jiang Jiancheng; the Non-executive Director is Ms. Ho Wing Yan; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Li Xiaofeng and Mr. Ho Man Fai.

* *for identification purpose only*