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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)

FORMATION OF JOINT VENTURE; AND LAPSE OF THE MEMORANDUM OF UNDERSTANDING

FORMATION OF JOINT VENTURE

The Board is pleased to announce that on 18 August 2015, the JV Company was established in Ningxia by the JV Parties. The JV Company will be principally engaged in agricultural cultivation, and processing, development and sales of agricultural products. The JV Company has the registered capital of RMB92 million, out of which Shenzhen Meiming, Ningxia West and Ningxia Shengdi will contribute RMB90 million, RMB1 million and RMB1 million respectively.

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of the formation of the JV Company exceed 5% but all of them are less than 25%, the formation of the JV Company will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval under the Listing Rules.

LAPSE OF THE MEMORANDUM OF UNDERSTANDING

Pursuant to the MOU, the Vendor and the Company will negotiate in good faith the terms of the Formal Agreement for the Possible Acquisition on or before 22 August 2015. The MOU shall terminate upon expiry of the Relevant Period or the execution of the Formal Agreement. As the parties intend not to enter into the Formal Agreement on or before 22 August 2015 and the Relevant Period will not be further extended, the MOU will lapse on 23 August 2015.

FORMATION OF JOINT VENTURE

The Board is pleased to announce that on 18 August 2015, the JV Company was established in Ningxia by the JV Parties.

As all the JV Parties are companies established in the PRC, there is no legal requirement for the JV Parties to enter into a joint venture agreement before the establishment of the JV Company. No joint venture agreement was or will be signed by the JV Parties for the formation of the JV Company, and the operation and management of the JV Company are governed by the Articles.

Establishment Date

18 August 2015

JV Parties

- (1) Shenzhen Meiming, a wholly owned subsidiary of the Company;
- (2) Ningxia West; and
- (3) Ningxia Shengdi.

Both of Ningxia West and Ningxia Shengdi are companies established in the PRC with limited liability. Ningxia West used to be principally engaged in production and sale of plant protein forages, research, production and sale of degradable packaging materials, and acquisition, development and processing of agricultural by-products, but it has ceased the production and operation since 2008. Ningxia West was a member of the Group until it was disposed by the Group on 15 June 2015. As at the date of this announcement, Ningxia West owns a processing factory. Ningxia Shengdi is principally engaged in agricultural cultivation and holds a multi-purpose agriculture land.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ningxia West, Ningxia Shengdi and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Capital Contribution

Pursuant to the Articles, the JV Company has the registered capital of RMB92 million which shall be contributed by the JV Parties before 1 July 2025 in the following manner:

JV Parties	Amount of Contribution	Type of Contribution
Shenzhen Meiming	RMB90 million	cash contribution
Ningxia West	RMB1 million	contribution in kind
Ningxia Shengdi	RMB1 million	contribution in kind

The capital contribution amount was determined upon the estimated total capital needed for the operation of the JV Company after considering, among others, the expense in the plant construction and the required working capital.

Business Scope

The business scope of the JV Company includes agricultural cultivation, and processing, development and sales of agricultural products.

Director, Legal Representative and Supervisor

Pursuant to the Articles, the JV Company shall have one executive director and one supervisor. Mr. Jiang Jianjun, an executive Director and the chairman of the Company, has been appointed as the executive director and legal representative of the JV Company. Mr. Tong Xiaoguang, a staff of Ningxia West, has been appointed as the supervisor of the JV Company.

Transfer of equity interests

The shareholders of the JV Company could transfer the equity interests in the JV Company among themselves. No transfer of equity interests in the JV Company by any shareholder to any non-shareholder of the JV Company shall be allowed unless such transfer is approved by a simple majority of the total voting rights of the other shareholders. In addition, any transfer of equity interests in the JV Company by the People's Court pursuant to the enforcement procedures under the law shall be subject to the right of first refusal of the shareholders of the JV Company.

Reasons for and benefits of the formation of the JV Company

The Group is principally engaged in sale and distribution of wine, liquor and green food products. On 4 March 2015, the Group acquired 50% of the registered capital of a company principally engaged in wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food.

The JV Company will be principally engaged in agricultural cultivation, and processing, development and sales of agricultural products. Each of the JV Parties will utilize its own resources and professional skills in the operation and management of the JV Company. Ningxia Shengdi has a multi-purpose agriculture land and substantial experience in operating farm and agricultural cultivation, Ningxia West has its own processing factory and the Group has fund and distribution and sales channels. The establishment of the JV Company represents a significant step to extend the Group's business into the agricultural cultivation. It is expected that the formation of the JV Company will complement and create synergy with the Group's existing business. The Directors believe that the formation of strategic alliance by establishing the JV Company with Ningxia Shengdi and Ningxia West will effectively improve the Group's business model and further enhance its competitiveness in the food industry.

The Board considers that the terms of the formation of the JV Company are fair and reasonable and the formation of the JV Company is in the interest of the Company and the Shareholders as a whole.

Implication of the Listing Rules

As one or more applicable percentage ratios (as defined under the Listing Rules) in respect of the formation of the JV Company exceed 5% but all of them are less than 25%, the formation of the JV Company will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the Shareholders' approval under the Listing Rules.

LAPSE OF THE MEMORANDUM OF UNDERSTANDING

Reference is made to the announcements of the Company dated 12 August 2013, 24 February 2014, 22 August 2014 and 23 February 2015 in relation to the MOU (the "**Announcements**"). Unless otherwise defined herein, all capitalized terms used herein shall have the same meanings as defined in the Announcements.

Pursuant to the MOU, the Vendor and the Company will negotiate in good faith the terms of a formal agreement (the "**Formal Agreement**") for the Possible Acquisition on or before 22 August 2015 ("**Relevant Period**"). The MOU shall terminate upon expiry of the Relevant Period or the execution of the Formal Agreement, whereupon all rights and obligations of the parties thereof shall cease to have any effect except for, among others, any accrued rights and obligations. As the parties intend not to enter into the Formal Agreement on or before 22 August 2015 and the Relevant Period will not be further extended, the MOU will lapse on 23 August 2015.

The Directors do not consider the lapse of the MOU will have any material adverse impact on the Group's financial position and operation. The Group will keep looking for suitable investment opportunities to enhance its investment portfolio and future earning capability and potential.

DEFINITION

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

“Articles”	the articles of association of the JV Company
“Board”	the board of Directors
“Company”	China Beidahuang Industry Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of the Stock Exchange
“Directors”	directors of the Company, each of the Directors as the “Director”
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Company”	Ningxia Dahuangyuan New Energy Agricultural Science and Technology Development Co., Ltd.* (寧夏大荒園新能源農業科技發展有限公司), the joint venture company established in Ningxia with limited liability by the JV Parties
“JV Parties”	Shenzhen Meiming, Ningxia West and Ningxia Shengdi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 12 August 2013 (as amended by the extension agreements dated 24 February 2014, 22 August 2014 and 23 February 2015) in respect of the Possible Acquisition

“Ningxia”	Ningxia Hui Autonomous Region, the PRC
“Ningxia Shengdi”	Ningxia Shengdi Trading Co., Ltd.* (寧夏聖地商貿有限公司), a company established in the PRC with limited liability
“Ningxia West”	Ningxia West Bright New Resource Technology Company Limited* (寧夏西部光彩新能源高新技術有限公司), a company established in the PRC with limited liability
“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
“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 Meiming”	Shenzhen Meiming Wenshi Trading Co., Ltd.* (深圳市美名問世商貿有限公司), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 21 August 2015

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Li Jianqing 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.