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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)

**PROPOSED BONUS ISSUE OF SHARES
CHANGE IN BOARD LOT SIZE
AND
PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

PROPOSED BONUS ISSUE OF SHARES

The Board proposes a Bonus Issue of new Shares on the basis of one Bonus Share for every one existing Share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. The Bonus Shares will be credited as fully paid at par by way of capitalisation of an appropriate amount in the share premium account of the Company.

The register of members of the Company will be closed from 16 December 2015 to 18 December 2015 (both days inclusive), during which no transfer of the Shares will be effected, in order to ascertain and determine the entitlement of the Shareholders under the Bonus Issue. In order to qualify for the Bonus Issue, holders of the Warrants must lodge the subscription form of the Warrants together with the remittance in cash for the amount of the subscription price for the respective Shares and holders of the Share Options must lodge the exercise notice of the Share Options together with the remittance in cash for the amount of the exercise price for the respective Shares no later than 4:30 p.m. on 15 December 2015.

Application will be made to the Listing Committee of the Stock Exchange in respect of such approval for the listings of, and permission to deal in, the Bonus Shares.

CHANGE IN BOARD LOT SIZE

The Board also announces that the board lot size for trading in the Shares will be changed from 2,000 Shares to 8,000 Shares with effect from 9:00 a.m. on Wednesday, 23 December 2015, subject to the fulfillment of the conditions of the Bonus Issue as set out in the section headed “Conditions of the Bonus Issue” in this announcement.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board also proposes to increase the authorised share capital of the Company from HK\$400,000,000 divided into 4,000,000,000 Shares to HK\$800,000,000 divided into 8,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares, which shall rank *pari passu* in all respects with the existing Shares.

GENERAL

A circular containing, among other things, further details of the Bonus Issue, the Change in Board Lot Size, Increase in Authorised Share Capital and a notice of EGM will be despatched to the Shareholders on Tuesday, 29 September 2015.

PROPOSED BONUS ISSUE OF SHARES

The Board proposes a Bonus Issue of new Shares on the basis of one Bonus Share for every one existing Share held by the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date. The Bonus Shares will be credited as fully paid at par by way of capitalisation of an appropriate amount out of the Company’s share premium account. The terms of the Bonus Issue are set out below.

Basis of the Bonus Issue

Subject to the conditions set out under the heading “Conditions of the Bonus Issue” below, the Bonus Shares will be issued and credited as fully paid at par on the basis of one Bonus Share for every one existing Share held on the Record Date by the Qualifying Shareholders.

On the basis of 1,976,894,876 existing Shares in issue as at the date of this announcement, and assuming (i) no further Shares will be issued or repurchased, (ii) no Warrants will be subscribed prior to the Record Date, and (iii) no Share Options will be exercised prior to the Record Date, it is anticipated that 1,976,894,876 Bonus Shares will be issued under the Bonus Issue. The Bonus Shares will be credited as fully paid at par by way of capitalisation of an appropriate amount in the share premium account of the Company. After the completion of the Bonus Issue, there will be a total of 3,953,789,752 Shares in issue as enlarged by the Bonus Issue.

Conditions of the Bonus Issue

Completion of the Bonus Issue is conditional upon:

- (i) the approval of the Bonus Issue by the Shareholders at the EGM;
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Bonus Shares; and
- (iii) compliance with the relevant legal procedures and requirements (if any) under the applicable laws of Cayman Islands and the articles of association of the Company to effect the Bonus Issue.

Application for listing of Bonus Shares

Application will be made to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Bonus Shares. Apart from making listing application to the Listing Committee of the Stock Exchange, the Board does not propose to make application to any other stock exchanges for the listing of and permission to deal in, the Bonus Shares.

Status of Bonus Shares

The Bonus Shares, upon issue, will rank *pari passu* in all respects with the Shares then in issue, including the entitlement to receiving dividends and other distributions the record date for which is on or after the date of allotment and issue of those Bonus Shares.

Record Date and closure of register of members

The Bonus Shares will be issued to the Qualifying Shareholders. Arrangement for the Non-Qualifying Shareholders are further elaborated below under the heading “Overseas Shareholders”.

The register of members of the Company will be closed from 16 December 2015 to 18 December 2015 (both days inclusive), during which no transfer of the Shares will be effected, in order to ascertain and determine the entitlement of the Shareholders under the Bonus Issue. In order to qualify for the Bonus Issue, holders of the Warrants must lodge the subscription form of the Warrants together with the remittance in cash for the amount of the subscription price for the respective Shares and holders of the Share Options must lodge the exercise notice of the Share Options together with the remittance in cash for the amount of the exercise price for the respective Shares no later than 4:30 p.m. on 15 December 2015.

Shareholders are reminded that in order to qualify for the Bonus Issue, they must ensure that all transfers accompanied by the relevant share certificates are lodged with the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 15 December 2015.

The exact total number of Bonus Shares to be issued under the Bonus Issue will not be capable of determination until after the Record Date.

Overseas Shareholders

For those Overseas Shareholders, enquiry will be made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. Upon such enquiry, if the Board is of the view that the exclusion of the Overseas Shareholders is necessary or expedient, the Bonus Shares will not be granted to the Non-Qualifying Shareholders. In such circumstances, arrangements will be made for the Bonus Shares which would otherwise have been issued to the Non-Qualifying Shareholders, if any, to be sold in the market as soon as practicable after dealing in the Bonus Shares commences. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars to the Non-Qualifying Shareholders, if any, pro rata to their respective shareholdings and remittances therefor will be posted to them, at their own risk, unless the amount falling to be distributed to any such persons is less than HK\$100.00, in which case it will be retained for the benefit of the Company.

Reasons for the proposed Bonus Issue

The Board considers that the proposed Bonus Issue is a reward to the long term support of the Shareholders. In addition, the proposed Bonus Issue allows the Shareholders to participate in the business growth of the Company by way of capitalisation of part of the capital reserve fund.

Adjustment to the subscription price and number of Shares falling to be issued upon subscription of the Warrants

As at the date of this announcement, there are 180,000,000 Warrants issued. Under the relevant terms and conditions of instrument creating the Warrants, the Bonus Issue may lead to adjustments to the subscription price and/or the number of shares of the Company falling to be issued upon exercise of the Warrants. The Company will arrange its auditors or an independent financial adviser to certify such adjustments pursuant to the respective terms thereof. The Company will inform each of the holder(s) of the Warrants regarding the adjustments to be made pursuant to the respective terms and conditions thereof. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Adjustment to exercise price and number of Shares falling to be issued upon exercise of the Share Options

As at the date of this announcement, there are total 250,230,000 outstanding Share Options granted under the Share Option Scheme. Under the relevant terms and conditions of the Share Option Scheme, the Bonus Issue may lead to adjustments to the exercise price and/or the number of shares of the Company falling to be issued upon exercise of the Share Options. The Company will arrange its auditors or an independent financial adviser to certify such adjustments pursuant to the respective terms thereof. The Company will inform each of the grantees of the Share Options regarding the adjustments to be made pursuant to the respective terms and conditions thereof. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

Save for the aforesaid Warrants and Share Options, the Company has no outstanding share options, warrants and similar rights to subscribe or purchase the equity securities of the Company as at the date of this announcement.

Certificates for the Bonus Shares

It is expected that certificates for the Bonus Shares will be posted on 22 December 2015 after all the conditions have been fulfilled at the risk of the Shareholders entitled thereto to their respective addresses shown on the register of members of the Company on the Record Date. Dealings in the Bonus Shares are expected to commence on 23 December 2015.

CHANGE IN BOARD LOT SIZE

In order to increase the value of each board lot of the Shares after the Bonus Issue, as well as to reduce transaction and registration costs incurred by the Shareholders and investors of the Company, the board lot size for trading in the Shares will be changed from 2,000 Shares to 8,000 Shares with effect from 9:00 a.m. on Wednesday, 23 December 2015, subject to the fulfillment of the conditions of the Bonus Issue as set out in the section headed “Conditions of the Bonus Issue” above.

Based on the closing price of HK\$1.57 per Share as quoted on the Stock Exchange as at the date of this announcement (equivalent to a theoretical ex-entitlement price of approximately HK\$0.785 per Share upon the allotment of the Bonus Shares), the market value of each board lot of 2,000 Shares is estimated to be approximately HK\$1,570 upon the allotment of the Bonus Shares. With the change in board lot size to be implemented, the market value of each board lot of 8,000 Shares (instead of 2,000 Shares) is estimated to be approximately HK\$6,280 based on the theoretical ex-entitlement price of approximately HK\$0.785 per Share. The change in board lot size is not expected to result in any odd lots other than those that already exist as one (1) existing board lot of 2,000 existing Shares will become one (1) new board lot of 8,000 Shares after the allotment and issue of the Bonus Shares.

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders. The Directors consider such change in board lot size is in the interests of the Company and the Shareholders as a whole.

Arrangement on odd lot trading

In order to alleviate the difficulties arising from the existence of odd lots of Shares due to the Change in Board Lot Size, the Company will appoint a securities firm to provide matching services, on a best effort basis, to those Shareholders who wish to top up or sell their holding of odd lots of the Shares. Details of the odd lot trading arrangement will be stated in the circular to be despatched to the Shareholders which shall also contain, inter alia, details of the Bonus Issue, the Change in Board Lot Size and the Increase in Authorised Share Capital.

EXPECTED TIMETABLE FOR THE BONUS ISSUE

The expected timetable relating to the Bonus Issue, the Change in Board Lot Size and the Increase in Authroised Share Capital is as follows:

Despatch of the circular in relation to the Bonus Issue,
the Change in Board Lot Size and the Increase in
Authorised Share Capital together with the EGM
notice and proxy form Tuesday, 29 September 2015

Latest time for lodging transfer documents and
relevant share certificates to be eligible to attend
and vote at the EGM 4:30 p.m. on Friday,
4 December 2015

Closure of register of members for attending the EGM. Monday,
7 December 2015 to
Wednesday,
9 December 2015
(both days inclusive)

Latest time for lodging proxy form for the EGM
(not less than 48 hours prior to time of the EGM) 11:00 a.m. on Monday,
7 December 2015

Record date for attending and voting at the EGM Wednesday,
9 December 2015

Expected date and time of the EGM	11:00 a.m. on Wednesday, 9 December 2015
Announcement of poll results of the EGM	Wednesday, 9 December 2015
Last day of dealing in Shares cum-entitlements to the Bonus Issue	Friday, 11 December 2015
First day of dealings in Shares ex-entitlements to the Bonus Shares	Monday, 14 December 2015
Latest time for lodging transfers of Shares for registration in order to qualify for the Bonus Issue	4:30 p.m. on Tuesday, 15 December 2015
Closure of Register of Members	Wednesday, 16 December 2015 to Friday, 18 December 2015 (both days inclusive)
Record Date for determination of entitlement to the Bonus Issue	Friday, 18 December 2015
Register of Members re-opens	Monday, 21 December 2015
Certificates for the Bonus Shares expected to be despatched on	Tuesday, 22 December 2015
Dealings in Bonus Shares commence	9:00 a.m. on Wednesday, 23 December 2015

Effective date of change of board lot size

from 2,000 Shares to 8,000 Shares 9:00 a.m. on Wednesday,
23 December 2015

Designated broker starts to stand in the market

to provide matching services for the sale and
purchase of odd lots of Shares 9:00 a.m. on Wednesday,
23 December 2015

Designated broker ceases to stand in the market

to provide matching services for the sale
and purchase of odd lots of Shares 4:00 p.m. on Thursday,
14 January 2016

All times and dates in this announcement refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders as and when appropriate.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 Shares, of which 1,976,894,876 Shares are in issue and fully paid. Under the Bonus Issue, the Company will issue 1,976,894,876 Bonus Shares on the assumption that no further Shares will be issued or repurchased on or before the Record Date. Immediately upon completion of the Bonus Issue, there will be a total of 3,953,789,752 Shares in issue as enlarged by the Bonus Issue. The Board also proposes to, immediately upon the Bonus Issue becoming effective, increase the authorised share capital of the Company from HK\$400,000,000 divided into 4,000,000,000 Shares to HK\$800,000,000 divided into 8,000,000,000 Shares by the creation of an additional 4,000,000,000 unissued Shares, which shall rank *pari passu* with the existing Shares.

The proposed Increase in Authorised Share Capital, if approved, will provide the Company with greater flexibility to accommodate future expansion and growth of the Group. Save for the Bonus Issue, the Directors do not have any present intention of issuing any part of the proposed Increase in Authorised Share Capital.

The Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

GENERAL

A circular containing, among other things, further details of the Bonus Issue, the Change in Board Lot Size, the Increase in Authorised Share Capital and a notice of EGM will be despatched to the Shareholders on Tuesday, 29 September 2015.

To the best knowledge, belief and information of the Directors having made all reasonable enquiries, no Shareholder is required under the Listing Rules to abstain from voting on the resolutions regarding the Bonus Issue and the Increase in Authorised Share Capital at the EGM.

DEFINITIONS

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

“Board”	the board of Directors
“Bonus Issue”	the proposed allotment and issue of Bonus Shares to the Qualifying Shareholders whose names appear on the register of members of the Company on the Record Date on the basis of one Bonus Share for every one existing Share held
“Bonus Shares”	the new Share(s) to be allotted and issued by way of Bonus Issue by the Company as described in this announcement
“Change in Board Lot Size”	the proposed change in board lot size for trading in the Shares on the Stock Exchange from 2,000 Shares to 8,000 Shares
“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

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Bonus Issue and the Increase in Authorised Share Capital and to be held on Wednesday, 9 December 2015 at 11:00 a.m. and any adjournment thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	proposed increase in authorised share capital of the Company from HK\$400,000,000 divided into 4,000,000,000 Shares to HK\$800,000,000 divided into 8,000,000,000 Shares
“Non-Qualifying Shareholder(s)”	Overseas Shareholders who are excluded from the Bonus Issue and as detailed in the section headed “Overseas Shareholders” in this announcement
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown in the register of members on that date is(are) outside Hong Kong
“Qualifying Shareholder(s)”	holder(s) of Shares, not being Non-Qualifying Shareholders, whose names are shown on the register of members of the Company on the Record Date and who will be entitled to the Bonus Issue
“Record Date”	Friday, 18 December 2015, being the date for ascertaining and determining the entitlement of the Shareholders to the Bonus Issue

“Share(s)”	ordinary share(s) in the issued and unissued capital of the Company, the par value of which being of HK\$0.10 each prior to the Bonus Issue
“Shareholder(s)”	holder(s) of Shares or Bonus Shares, as the case may be
“Share Options”	the share options granted and to be granted under the Share Option Scheme to subscribe for shares of the Company in accordance with the Share Option Scheme which remain unexercised before the Bonus Issue becomes effective
“Share Option Scheme”	the share option scheme adopted by the Company on 23 May 2007
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Warrants”	the non-listed warrants in the outstanding aggregate principal amount of HK\$126,000,000 issued by the Company entitling the holder(s) thereof to subscribe for up to 180,000,000 new Shares at the subscription price of HK\$0.70 per Share (subject to adjustment) before the Bonus Issue becomes effective
“%”	per cent

By Order of the Board

China Beidahuang Industry Group Holdings Limited

Jiang Jianjun

Chairman

Hong Kong, 7 September 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 Directors are Ms. Ho Wing Yan and Ms. Zhang Yujie; and the Independent Non-executive Directors are Dr. Loke Yu alias Loke Hoi Lam, Mr. Li Xiaofeng and Mr. Ho Man Fai.