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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)

DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTEREST IN TARGET COMPANY

THE EQUITY TRANSFER AGREEMENT

The Board wishes to announce that on 13 January 2017, the Company as the purchaser, the Vendor and the Guarantors entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 100% equity interest in the Target Company at a consideration of RMB220,000,000, subject to the terms and conditions of the Equity Transfer Agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and the Guarantors is an Independent Third Party.

The Target Company is principally engaged in property holding and leasing. As at the date of this announcement, the Target Company legally and beneficially owns the Property.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Group and its results and net assets will be consolidated into the financial statements of the Company after Completion.

LISTING RULES IMPLICATIONS

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

INTRODUCTION

On 13 January 2017, the Company as the purchaser, the Vendor and the Guarantors entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell 100% equity interest in the Target Company at a consideration of RMB220,000,000, subject to the terms and conditions of the Equity Transfer Agreement.

THE EQUITY TRANSFER AGREEMENT

Date

13 January 2017

Parties

- (1) The Company;
- (2) The Vendor; and
- (3) The Guarantors.

As at the date of this announcement and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and the Guarantors is an Independent Third Party.

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the entire equity interests in the Target Company at a consideration of RMB220,000,000. The Target Company has a registered and paid-up capital of RMB80,000,000 which is legally and beneficially owned by the Vendor as at the date of this announcement.

The Target Company legally and beneficially owns the Property. The Property has been pledged to a bank in the PRC to secure a general banking facility granted to the Target Company. As at the date of this announcement, the Target Company has not drawn up any of the said banking facility. The Vendor guaranteed that the Target Company will not draw up any of the said banking facility before and up to Completion.

Consideration

The total consideration for the Acquisition is RMB220,000,000, which will be payable in two (2) installments by the Company to the Vendor and in the following manner:

- (1) RMB190,000,000, being partial payment of the Consideration, will be settled in cash within one (1) month upon signing of the Equity Transfer Agreement; and
- (2) RMB30,000,000, being the remainder of the Consideration, will be settled by way of the Company allotting and issuing 76,686,332 Consideration Shares at the Issue Price of HK\$0.44 per Consideration Share to the Vendor or her designated nominee(s) on or before 28 February 2017.

The Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the estimated market value of the Property of approximately RMB220,550,100 (equivalent to approximately HK\$248,059,948) as at 24 October 2016 based on a valuation report prepared on an open market basis by an independent property valuer.

Conditions precedent to the Acquisition

Completion of the Acquisition is subject to satisfaction or waiver (as the case may be) of the following conditions precedent:

- (a) all approvals, consents and waivers have been obtained from the Board for the Acquisition;
- (b) all necessary approvals, consents and waivers have been obtained from all government bodies (if applicable) and third parties for the Acquisition;
- (c) the Company has been satisfied with and accepted the due diligence results for the Target Company;
- (d) the Vendor and the Guarantors have not materially breached any representations, warranties and undertakings made in the Equity Transfer Agreement;
- (e) prior to Completion, the Vendor, the Guarantors and the Target Company have not violated any material terms and conditions of the Equity Transfer Agreement;
- (f) no laws or orders have prohibited any of the transactions contemplated in the Equity Transfer Agreement or the ancillary documents (if applicable);
- (g) the Company has been satisfied with and accepted the valuation report of the Property issued by an independent property valuer appointed by the Company;
- (h) the Vendor has completed the equity transfer procedure of the entire equity interest of the Target Company in favour of the Company according to the instructions of the Company; and
- (i) the Stock Exchange has granted the approval for the listing of, and permission to deal in, the Consideration Shares.

If all conditions above have not been satisfied or conditions (c), (d) and (e) have not been waived by the Company at its sole discretion on or before 28 February 2017 (or such other date as the parties to the Equity Transfer Agreement may agree), the Equity Transfer Agreement and the transactions contemplated thereunder shall lapse and the parties to the Equity Transfer Agreement shall not have a right to claim against the other party, save for (1) any negligence and/or mistake by either party causing the failure to satisfy any of the conditions or (2) any antecedent breach.

Completion of the Acquisition

Completion shall take place on the fifth Business Day after the fulfilment of the conditions precedent above and the settlement of the Consideration, or such other date as the Company and the Vendor may agree in writing.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Group and its results and net assets will be consolidated into the financial statements of the Company after Completion.

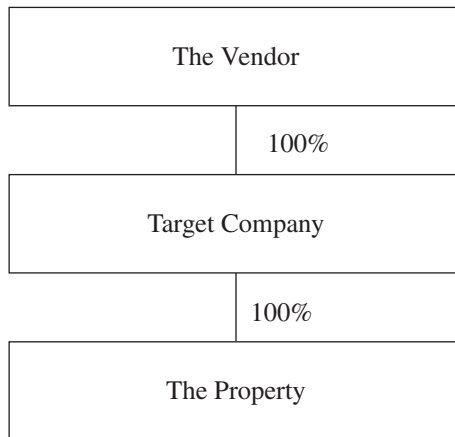
Guarantee and Tax Matter

In consideration of the entering into and performance by the Company of the Equity Transfer Agreement, the Guarantors unconditionally and irrevocably guarantee to the Company the due and punctual performance and observance by the Vendor of all her obligations, commitments and undertakings under or pursuant to the Equity Transfer Agreement and agree to indemnify the Company against all losses which the Company may suffer from any breach by the Vendor of her obligations under the Equity Transfer Agreement.

In particular, the Vendor undertakes to indemnify the Company against any claim for liability to taxation that relates to matters arising prior to Completion, whether made against the Target Company before or after the Completion Date. The Guarantors agreed to guarantee the performance by the Vendor of her obligations under such undertaking in the Equity Transfer Agreement.

The Group structure before and after the Completion shall be as follows:

Before Completion



After Completion



CONSIDERATION SHARES

The Consideration Shares shall be allotted and issued at the Issue Price, credited as fully paid.

The Consideration Shares, when allotted and issued, shall rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Consideration Shares represent approximately 1.53% of the total number of issued Shares of the Company as at the date of this announcement and approximately 1.50% of the total number of issued Shares of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming there is no other change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to the Completion Date). The aggregate nominal value of the Consideration Shares will be HK\$7,668,633.20.

Issue Price

The Issue Price represents:

- (a) a discount of approximately 1.12% to the closing price of HK\$0.445 per Share as quoted on the Stock Exchange on 12 January 2017, being the last trading day prior to the date of the Equity Transfer Agreement;
- (b) a premium of approximately 4.02% to the average closing price of HK\$0.423 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the Equity Transfer Agreement; and
- (c) a premium of approximately 4.14% to the average closing price of HK\$0.4225 per Share as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the Equity Transfer Agreement.

The Issue Price of HK\$0.44 per Consideration Share was arrived at after arm's length negotiations among the parties to the Equity Transfer Agreement after taking into account of the prevailing trading price of the Shares and the current market conditions. The Directors consider that the Issue Price is fair and reasonable.

General Mandate

The Consideration Shares will be allotted and issued on the Completion Date pursuant to the General Mandate. By an ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 24 June 2016, the General Mandate was granted to the Directors to allot and issue up to 20% of the total number of Shares in issue as at the date of passing of such resolution, being 933,160,350 Shares. As at the date of this announcement, only 351,599,550 Shares have been allotted and issued under the General Mandate pursuant to the Subscription announced by the Company on 1 November 2016. The number of new Shares that the Company may further allot and issue under the General Mandate is therefore 581,560,800 new Shares.

Lock-up Period

Under the terms of the Equity Transfer Agreement, the Vendor or her designated nominee(s) shall neither (i) dispose of, (ii) enter into any agreement to dispose of, nor (iii) otherwise create any encumbrances in respect of any direct or indirect interest in the Consideration Shares at any time within the period of 6 months from the Completion Date.

Application for Listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

CHANGES IN SHAREHOLDING STRUCTURE

The following table sets out the shareholding structure of the Company (i) as at the date of this announcement and prior to Completion; and (ii) immediately upon Completion and the allotment and issue of the Consideration Shares (assuming there is no other change in the shareholding structure of the Company before the allotment and issue of the Consideration Shares):

Shareholders	Shareholding as at the date of this announcement and prior to Completion		Shareholding immediately upon Completion and the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Directors:				
Mr. Jiang Jianjun (<i>Note a</i>)	594,759,044	11.84	594,759,044	11.66
Mr. Ho Man Fai	2,000,000	0.04	2,000,000	0.04
Mr. Ke Xionghan	1,000,000	0.02	1,000,000	0.02
Mr. Jiang Jiancheng	500,000	0.01	500,000	0.01
Mr. Li Xiaofeng	500,000	0.01	500,000	0.01
	<u>598,759,044</u>	<u>11.92</u>	<u>598,759,044</u>	<u>11.74</u>
Substantial Shareholders:				
Beidahuang (HK) International Trade Co., Limited (<i>Note b</i>)	660,000,000	13.14	660,000,000	12.94
Able Turbo Enterprises Limited (<i>Note c</i>)	380,180,000	7.57	380,180,000	7.46
Public Shareholders:				
Vendor	–	–	76,686,332	1.50
Other public shareholders	<u>3,384,262,258</u>	<u>67.37</u>	<u>3,384,262,258</u>	<u>66.36</u>
Total	<u><u>5,023,201,302</u></u>	<u><u>100.00</u></u>	<u><u>5,099,887,634</u></u>	<u><u>100.00</u></u>

Notes:

- a. These 594,759,044 Shares are held by Mr. Jiang Jianjun (“**Mr. Jiang**”) as to 242,460,000 Shares; Ms. Li Zhuoxun, the spouse of Mr. Jiang, as to 5,840,000 Shares; King Wei Group (China) Investment Development Limited (“**King Wei**”) as to 253,259,044 Shares and China Silver Investments Development Limited (“**China Silver**”) as to 93,200,000 Shares. As King Wei and China Silver are wholly-owned by Mr. Jiang, Mr. Jiang is deemed to be interested in the 253,259,044 Shares held by King Wei and the 93,200,000 Shares held by China Silver respectively by virtue of the SFO.

- b. These 660,000,000 Shares are held by Beidahuang (HK) International Trade Co., Limited, which is wholly-owned by 黑龍江農墾北大荒商貿集團有限責任公司 which in turn is wholly-owned by 黑龍江北大荒農墾集團總公司. Accordingly, each of 黑龍江農墾北大荒商貿集團有限責任公司 and 黑龍江北大荒農墾集團總公司 is deemed to be interested in the 660,000,000 Shares held by Beidahuang (HK) International Trade Co., Limited by virtue of the SFO.
- c. These 380,180,000 Shares are held by Able Turbo Enterprises Limited (“**Able Turbo**”) as to 225,783,474 Shares and China Food and Beverage Group Limited (“**China Food**”) as to 154,396,526 Shares. As China Food is wholly-owned by Able Turbo, Able Turbo is deemed to be interested in the 154,396,526 Shares held by China Food by virtue of the SFO. As Able Turbo is 60.31% owned by Mr. Chen Hua and 39.69% owned by Mr. Li Xianggen, each of Mr. Chen Hua and Mr. Li Xianggen is deemed to be interested in the Shares held by Able Turbo and China Food by virtue of the SFO.

INFORMATION OF THE TARGET COMPANY AND THE PROPERTY

The Target Company is a company established in the PRC with limited liability on 19 July 2013. As at the date of this announcement, the Target Company legally and beneficially owns the Property and is principally engaged in property holding and leasing.

The Property is a portion of the shopping mall situated at the heart of Bao An District in Shenzhen, PRC and comprising approximately a total gross floor area of 5110.88 sq. m. in Level 1 and Level 2, Duty Free Mall, 1st Block, Dayi Square, West of Xixiang Avenue, Xixiang, Bao An District, Shenzhen, PRC. As at the date of this announcement, the Property is currently occupied by tenants, leasing out at an average rental rate of approximately RMB39 per sq. m. per month.

Financial Information

The unaudited total assets and net assets of the Target Company as at 31 December 2016 were approximately RMB221,009,565 and RMB211,515,910 respectively. The following information is a summary of the unaudited financial information of the Target Company:

	For the year ended	
	31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation	(186)	1,032
Net profit after taxation	(186)	860

Upon Completion, the Group will own 100% of the equity interest of the Target Company. Accordingly, the Target Company will become a wholly-owned subsidiary of the Group and its financial results will be consolidated into the financial statements of the Company upon Completion.

INFORMATION OF THE VENDOR AND THE GUARANTORS

The Vendor is a merchant residing in the PRC. The Vendor legally and beneficially owns the entire equity interest of the Target Company as at the date of this announcement.

The Guarantors are Mr. Lan Xiaoming and Mr. Xiao Jianbiao. Mr. Lan Xiaoming is an executive director and the general manager of the Target Company. Mr. Xiao Jianbiao is the supervisor of the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and the Guarantors is an Independent Third Party.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Group is principally engaged in sale and distribution of wine, liquor and green food products; wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food; participation in public-private partnership projects in the PRC; and the rental of logistic warehouse in Hong Kong.

“Business Day”	a day (other than a Saturday or any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Beidahuang Industry Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB220,000,000 for the Acquisition
“Consideration Shares”	an aggregate of 76,686,332 Shares to be allotted and issued to the Vendor or her designated nominee(s) at an issue price of HK\$0.44 per new Share as partial settlement of the Consideration
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 13 January 2017 entered into between the Company, the Vendor and the Guarantors in relation to the Acquisition
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 24 June 2016
“Group”	the Company and its subsidiaries

“Guarantors”	Mr. Lan Xiaoming and Mr. Xiao Jianbiao
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	individual(s) who is/are independent of and not connected with (within the meaning of the Listing Rules) any director, chief executive or substantial shareholders of the Company and its connected persons
“Issue Price”	HK\$0.44 per Consideration Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“Property”	the properties situated at Level 1 and Level 2, Duty Free Mall, 1st Block, Dayi Square, West of Xixiang Avenue, Xixiang, Bao An District, Shenzhen, PRC (with respective gross floor area of 1,611.49 sq. m. and 3,499.39 sq. m.), which are owned by the Target Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the subscribers pursuant to the terms and conditions of the Subscription Agreements announced by the Company on 1 November 2016
“Subscription Shares”	an aggregate of 351,599,550 new Shares allotted and issued by the Company to the subscribers on 12 January 2017 pursuant to the Subscription Agreements announced by the Company on 1 November 2016
“Target Company”	深圳明建企業有限公司(Shenzhen Ming Jian Enterprise Limited*), a company established in the PRC with limited liability
“Vendor”	Ms. Chen Xiaoding
“sq. m.”	square metres
“%”	per cent.

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

Hong Kong, 13 January 2017

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Jiang Jiancheng and Mr. Ke Xionghan; 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.

For the purpose of this announcement, the exchange rate of RMB1.00 = HK\$1.1247 has been used for currency translation, where applicable. Such exchange rate is for illustration purpose only and does not constitute representation that any amount in RMB or HK\$ has been or may be converted in such rate.

* *For identification purpose only*