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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 3 April 2017, the Company as the purchaser, the Vendor and the Guarantor 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 RMB90,000,000, 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, the Guarantor and the ultimate beneficial owner(s) of the Guarantor is an Independent Third Party.

The Target Company is an investment holding company. As at the date of this announcement, the Target Company holds the Target Subsidiary. Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and their 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 3 April 2017, the Company as the purchaser, the Vendor and the Guarantor 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 RMB90,000,000, subject to the terms and conditions of the Equity Transfer Agreement.

## **THE EQUITY TRANSFER AGREEMENT**

### **Date**

3 April 2017

### **Parties**

- (1) the Company;
- (2) the Vendor; and
- (3) the Guarantor.

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, the Guarantor and the ultimate beneficial owner(s) of the Guarantor 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 sell 100% equity interest in the Target Company at a consideration of RMB90,000,000. The Target Company is an investment holding company and has a registered and paid-up capital of RMB100,000 which is legally and beneficially owned by the Vendor as at the date of this announcement.

The Target Subsidiary has a registered and paid-up capital of RMB60,950,000 and is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products. It has been a wholly-owned subsidiary of the Guarantor. During the negotiation of the Acquisition between the Company and the Guarantor, on the basis of establishing and maintaining mutual trust commercial principles and to prove the integrity of the equity interest and there is no charge and transferability of assets in the Target Subsidiary, the Guarantor on 17 February 2017 transferred its 100% equity interest in the Target Subsidiary to the Target Company for custody purpose at nominal value. As at the date of this announcement, the Target Company holds the Target Subsidiary.

## **Consideration**

The Consideration for the Acquisition is RMB90,000,000 which will be payable in cash within one month from the date of the fulfilment of the conditions precedent under the Equity Transfer Agreement. The Consideration will be financed by internal resources. Due to the Target Company is the trustee for the Guarantor, therefore, the Vendor agreed that the Consideration be paid to the Guarantor directly by the Company.

The Consideration was determined after arm's length negotiations between the Company, the Vendor and the Guarantor with reference to the prospects, potential profitability and net assets value of the Target Subsidiary.

## **Conditions precedent to the Acquisition**

Completion of the Acquisition is subject to satisfaction of the following conditions precedent:

- (a) all approvals and consents 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 relevant parties for the Acquisition;
- (c) the Guarantor and the Vendor have disclosed in writing all the assets, liabilities, interests and guarantees of the Target Group and all information relating to the Equity Transfer Agreement to the Company;
- (d) the Company has been satisfied with and accepted the due diligence results for the Target Group;
- (e) the Vendor and the Guarantor have not materially breached any representations, warranties and undertakings made in the Equity Transfer Agreement;
- (f) prior to Completion, the Vendor, the Guarantor and the Target Group have not violated any material terms and conditions of the Equity Transfer Agreement;
- (g) no laws or orders have prohibited any of the transactions contemplated under the Equity Transfer Agreement or the ancillary documents (if applicable); and
- (h) the Guarantor, the Vendor and the Target Company have completed or procured to complete the equity transfer procedure of the 100% equity interest in the Target Company in favour of the Company or its subsidiary according to the instructions of the Company.

## **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, the Guarantor and the Vendor may agree in writing.

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

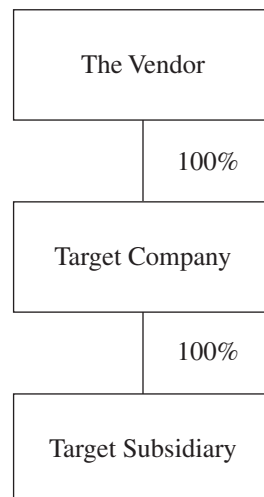
### **Undertakings**

The Guarantor undertakes:

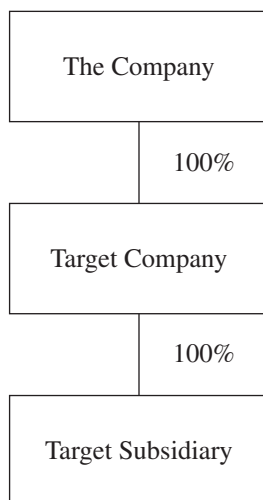
- (a) to give priority to the sale of lead, zinc and fluorite mineral products to the Target Subsidiary under prevailing market prices for three financial years from the date of the Equity Transfer Agreement; and
- (b) the senior management team (including the personnel designated by the Guarantor to manage the Target Subsidiary and the management team of the Target Subsidiary) will continue to assist the Group in the management of the business of the Target Subsidiary for at least three years from the date of the completion of the equity transfer to the Company, at remuneration packages to be agreed by the parties thereto.

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

#### ***Before Completion***



### *After Completion*



### **INFORMATION OF THE TARGET GROUP**

The Target Company is a company established in the PRC with limited liability on 1 April 2012. The Target Company has a registered and paid-up capital of RMB100,000 which is legally and beneficially owned by the Vendor as at the date of this announcement. The Target Company is an investment holding company and holds the Target Subsidiary as at the date of this announcement.

The Target Subsidiary is a company established in the PRC with limited liability on 9 July 2007. The Target Subsidiary has a registered and paid-up capital of RMB60,950,000 and is engaged in the flotation selection of non-ferrous metals mines and sales of mineral products.

## Financial Information of Target Company

The unaudited total assets and net assets of the Target Company as at 31 December 2016 were approximately RMB100,000 and RMB88,000 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 loss before taxation	–	(12)
Net loss after taxation	–	(12)

## Financial Information of Target Subsidiary

The unaudited total assets and net assets of the Target Subsidiary as at 31 December 2016 were approximately RMB175,093,000 and RMB61,842,000 respectively. The following information is a summary of the unaudited financial information of the Target Subsidiary:

	For the year ended	
	31 December	
	2015	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before taxation	(6,020)	(961)
Net loss after taxation	(6,020)	(961)

Upon Completion, the Company will own 100% of the equity interest in the Target Company. Accordingly, the Target Group will become wholly-owned subsidiaries of the Company and their results and net assets will be consolidated into the financial statements of the Company after Completion.

## **INFORMATION OF THE VENDOR AND THE GUARANTOR**

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

The Guarantor is a company established in the PRC with limited liability and is engaged in the underground mining of lead, zinc and fluorite mines and sales of mineral products.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor, the Guarantor and the ultimate beneficial owner(s) of the Guarantor 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 construction for municipal public projects in the PRC; money lending; and rental of logistic warehouse in Hong Kong and office facilities in the PRC.

It is expected that the Target Subsidiary can generate a stable and recurrent source of income to the Group. It also strengthens the assets of the Group and enables the Group to explore and widen its business prospect in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement including the Consideration for the Acquisition are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.



## **IMPLICATIONS UNDER THE LISTING RULES**

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.

## **GENERAL**

**Completion is subject to the fulfilment of the conditions precedent under the Equity Transfer Agreement. As the Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of 100% equity interest in the Target Company by the Company from the Vendor pursuant to the Equity Transfer Agreement
“Board”	the board of the Directors
“Business Day”	a day (other than a Saturday, Sunday, public holiday, or a 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, whose Shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB90,000,000 for the Acquisition
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 3 April 2017 entered into between the Company, the Vendor and the Guarantor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Guarantor”	岳陽市富安礦業有限公司 (Yueyang Fu An Mining Industry Company Limited*), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) who is/are independent of and not connected with, the Company and its connected persons
“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)

“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	深圳市華金華銀實業有限公司 (Shenzhen Huajinhuiyin Industry Company Limited*), a company established in the PRC with limited liability
“Target Group”	the Target Company and the Target Subsidiary
“Target Subsidiary”	臨湘市強盛礦業有限責任公司 (Linxiang Qiangsheng Mining Industry Company Limited*), a company established in the PRC with limited liability
“Vendor”	Ms. Lin Suting (林素婷)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 3 April 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 identification purpose only