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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)

**PLACING OF CONVERTIBLE BONDS UNDER
GENERAL MANDATE**

Placing Agent



China Sky Securities Limited

On 7 April 2017 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has agreed to appoint the Placing Agent as placing agent and underwriter for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six Placées to subscribe in cash for the Convertible Bonds on the terms and subject to the conditions set out in the Placing Agreement.

Assuming the Convertible Bonds are fully placed, based on the initial Conversion Price of HK\$0.40 per Conversion Share, 500,000,000 Conversion Shares will be allotted and issued by the Company under the General Mandate upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 9.80% of the existing issued share capital of the Company; and (b) approximately 8.93% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

The initial Conversion Price of HK\$0.40 per Conversion Share represents: (a) no premium/discount when compared with the closing price of HK\$0.40 per Share as quoted on the Stock Exchange's daily quotation sheets on the date of the Placing Agreement; and (b) a discount of approximately 1.96% over the average closing price of HK\$0.408 per Share as quoted on the Stock Exchange's daily quotation sheets for the last five trading days up to and including the date of the Placing Agreement.

Assuming the Convertible Bonds are fully placed by the Placing Agent and based on the fee of the Placing Agent in the amount of approximately HK\$5,000,000 and other expenses, the gross and net proceeds from the Placing are estimated to be approximately HK\$200 million and HK\$195 million respectively. The Directors consider that the Placing represents an opportunity to raise additional funding for the Group's business operation and it will also strengthen the capital base and financial position for the Group's future business developments and broaden the Shareholder base of the Company. Furthermore, the Directors consider that the Placing provides the Company with funding without immediate dilution effect on the shareholding of the existing Shareholders. The Company intends to apply the net proceeds from the Placing for the Group's settlement of loans, business development, investments and general working capital purposes.

Shareholders and potential investors of the Company should note that the Placing is subject to the fulfillment of the conditions precedent set out in the Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

THE PLACING AGREEMENT

On 7 April 2017 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has agreed to appoint the Placing Agent as placing agent and underwriter for the purpose of procuring, as agent of the Company, on a best effort basis, not less than six Placees to subscribe in cash for the Convertible Bonds on the terms and subject to the conditions set out in the Placing Agreement.

Details of the Placing Agreement are summarised as follows:

Date

7 April 2017 (after trading hours)

Parties

- (1) the Company (as the issuer) and
- (2) the Placing Agent (as the placing agent and underwriter).

As at the date of this announcement and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing of the Convertible Bonds

The Placing Agent undertakes during the Placing Period to use its best effort to procure not less than six Placees for the subscription of the Convertible Bonds. The Placing Agent will be liable for its obligations under the Placing Agreement.

The Placees

The choice of Placees for the Convertible Bonds will be determined by the Placing Agent, subject to the requirements of the Listing Rules (in particular, the Placing Agent will use all reasonable endeavours to ensure that each of the Placees will be independent of and not connected with the Company or its connected persons, and that it is not acting in concert with the connected persons in relation to the control of the Company).

Placing Agent Fee

In consideration of the services of the Placing Agent in relation to the Placing, the Company will pay to the Placing Agent a fee of approximately HK\$5,000,000. The Placing Agent fee was determined after arm's length negotiations between the Company and the Placing Agent with reference to market rates.

Principal Terms of the Convertible Bonds

Issuer	:	The Company
Principal amount	:	HK\$200,000,000
Issue price	:	100% of the principal amount of the Convertible Bonds
Interest	:	The Convertible Bonds shall bear interest from the date of issue at 10% per annum on the principal amount of the Convertible Bonds, payable in arrears on 30 June and 31 December each year respectively between the date of first issue of the Convertible Bonds and the Maturity Date.
Maturity Date	:	The date falling 24 months from the date of first issue of the Convertible Bonds.
Status	:	The Convertible Bonds constitute direct, unconditional and unsecured obligations of the Company and will rank pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable laws.

- Conversion Price : The initial Conversion Price is HK\$0.40 per Share and represents:
- (i) no premium/discount when compared with the closing price of HK\$0.40 per Share as quoted on the Stock Exchange's daily quotation sheets on the date of the Placing Agreement; and
 - (ii) a discount of approximately 1.96% over the average closing price of HK\$0.408 per Share as quoted on the Stock Exchange's daily quotation sheets for the last five trading days up to and including the date of the Placing Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Placing Agent with reference to the recent trading performance of the Shares and business prospects of the Group. The Directors consider that the Conversion Price is fair and reasonable under the current market conditions.

Upon full conversion of the Convertible Bonds at the initial Conversion Price, the Convertible Bonds will be convertible into 500,000,000 Shares, representing approximately 9.80% of the existing issued share capital of the Company and approximately 8.93% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Bonds (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

- Adjustment events : The Conversion Price will be subject to adjustment from time to time upon occurrence of certain events:
- (i) consolidation, subdivision or reclassification of Shares;
 - (ii) capitalisation of profits or reserves;
 - (iii) capital distribution;
 - (iv) offer of new Shares for subscription by way of rights issue or grant of options or warrants to Shareholders, to subscribe for Shares at a price per Share which is less than 80% of the market price per Share at the relevant time;
 - (v) issue of any securities wholly for cash which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share receivable by the Company which is less than 80% of the market price per Share at the relevant time;
 - (vi) issue being made by the Company of new Shares wholly for cash (other than those as mentioned in (iv) and (v) above) at a price per Share which is less than 80% of the market price per Share at the relevant time;
 - (vii) issue of Shares for the acquisition of any asset at a consideration per Share receivable by the Company which is less than 80% of the market price per Share at the relevant time; or

(viii) other events or circumstances not mentioned in (i) to (vii) above which the Company or the Bondholders may determine that a consequential adjustment should be made to the Conversion Price.

Conversion rights : Subject to the restrictions set out below, Bondholders shall have the right to convert in whole or in part the principal amount of the Convertible Bonds at any time from its date of issue up to and including the date which is 5 Business Days prior to the Maturity Date in amounts of not less than HK\$5,000,000 on each conversion, save that if at any time, the principal outstanding amount of the Convertible Bonds is less than HK\$5,000,000, the whole (but not part only) of the principal outstanding amount of the Convertible Bonds may be converted.

No Conversion Shares will be issued unless the Bondholder confirms that it/he will comply with the Takeovers Code in respect of any acquisition of voting rights in the Company upon the issue to it/him of the Conversion Shares.

Conversion restriction : The exercise of the conversion rights attaching to the Convertible Bonds is subject to the following restriction: for so long as the Shares remaining listed on the Stock Exchange, the Company shall not be obliged to issue any Conversion Shares if, upon conversion, the public float of at least 25% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares cannot be maintained. In such event, the Bondholder shall be entitled to elect to convert such number of Convertible Bonds as it/he is entitled to convert, without such conversion resulting in the public float of the Shares of the Company falling below the requirements of the Listing Rules.

- Ranking : The Conversion Shares, when converted upon exercise of the conversion rights attaching to the Convertible Bonds by the Bondholders thereto, will be issued as fully paid up and rank pari passu in all respects with the Shares in issue at the time when such Conversion Shares are allotted and issued, including the right to receive all dividends and distributions which may be declared, made or paid after the allotment and issue of the Conversion Shares and will be issued free and clear of all liens, encumbrances, equities or other third party rights.
- Transferability : The Convertible Bonds (or any part thereof) may not be assigned or transferred to any person (whether or not a connected person of the Company) without the prior written consent of the Company which consent must not be unreasonably withheld. Any assignment or transfer shall be subject to all applicable laws and regulations (including but not limited to the Listing Rules) and approval of the Shareholders (if required).
- Redemption : With mutual agreement between the Company and the Bondholder(s), the Company may at any time after 6 months from the date of issue of the Convertible Bonds, by giving to the Bondholder(s) not less than 10 Business Days but not more than 30 Business Days' notice in writing, redeem the whole or part of the outstanding principal amount of the Convertible Bonds held by the Bondholder(s) at face value together with the accrued and unpaid interest on the principal amount to be redeemed.

Any principal amount of the Convertible Bonds which has not been converted or redeemed prior to the Maturity Date shall be redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of the outstanding Convertible Bonds and interest accrued and outstanding pursuant to the terms and conditions of the Convertible Bonds.

- Event of default
- :
- If, amongst others, any of the following event occurs and if capable of being remedied, is not remedied within 30 Business Days after a default redemption notice is given by the Bondholder(s), the Convertible Bonds shall become immediately due and payable at 100% of the principal amount of the Convertible Bonds then outstanding together with interest accrued thereon:
- (i) the trading of the Shares on the Stock Exchange ceases other than resulting from (a) an offer made to the Shareholders to acquire all or any proportion of the Shares becoming unconditional or (b) a suspension at the request of either the Company or the Stock Exchange pending the release of an announcement and/or for the purpose of complying with any relevant requirements of the Listing Rules or the Takeovers Code;
 - (ii) the Company defaults in performance or observance or compliance with any of its other obligations set out in the conditions of the Convertible Bonds;
 - (iii) the Company fails to pay the principal amount of the Convertible Bonds when due or the Company fails to issue the Conversion Shares in accordance with the conditions of the Convertible Bonds;

- (iv) the occurrence of any event so as to render unlawful the performance by the Company of any of its material obligations contained in the conditions of the Convertible Bonds;
- (v) any indebtedness of the Company equals or exceeds HK\$50,000,000 becomes due and payable prior to its stated maturity by reason of any default, or any such indebtedness is not paid when due or, as the case may be, within any applicable grace period;
- (vi) an encumbrancer takes possession or a receiver is appointed for the whole or any part of the undertaking or assets of the Company;
- (vii) the Company becomes insolvent or is unable to pay its debts as they mature;
- (viii) a court order is made or an effective resolution is passed for winding-up of the Company; and
- (ix) seizure is enforced upon all or a material part of the assets of the Company.

Voting : The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it/him being the Bondholders.

Application for listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange in any jurisdiction.

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

Condition precedent to the Placing

Completion of the Placing Agreement is conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares.

If the foregoing provision is not fulfilled on or before the Long Stop Date (or such other date as may be agreed between the Company and the Placing Agent in writing), the Placing Agreement shall terminate and cease to have any force and effect and the parties thereto will be released from all obligations thereunder, save for any liability arising out of any antecedent breaches thereof. The Placing Agent will provide to the Company all information concerning itself and the Placees as the Stock Exchange may reasonably require.

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

Completion of the Placing

Completion will take place on a date falling on the fifth Business Day following the condition precedent above being fulfilled or on such other date as the Company and the Placing Agent may agree in writing.

Termination of the Placing Agreement

The Placing Agreement will be terminated automatically after the Placing Period.

The Placing Agent shall have the right to terminate the Placing Agreement if:

- (i) there shall be any change in the national, international, financial, political or economic conditions or currency conditions as would, in its reasonable view and opinion, be likely to prejudice materially the success of the Placing; or
- (ii) there shall have been any material breach of the provisions of the Placing Agreement; or
- (iii) for any reason, it will be impractical or inadvisable to proceed with the Placing.

The Company shall have the right to terminate the Placing Agreement in the event that the Placing Agent commits a material breach of the provisions of the Placing Agreement.

In the event that the Placing Agreement is terminated pursuant to the foregoing provisions, it is agreed that the provisions relating to the payment of the Placing Agent fee and the approved out-of-pocket expenses shall survive.

GENERAL MANDATE

The Conversion Shares falling to be issued upon conversion of the Convertible Bonds will be issued under the General Mandate. Accordingly, the issue of the Conversion Shares is not subject to Shareholders' approval. Under the General Mandate, the Company is authorised to allot and issue up to 933,160,350 Shares. As at the date of this announcement, 428,285,882 Shares have been issued under the General Mandate and the Company may issue a further 504,874,468 Shares under the General Mandate. The aggregate number of Shares which may fall to be issued upon full conversion of the Convertible Bonds at the initial Conversion Price is 500,000,000 Shares representing approximately 9.80% of the existing issued share capital of the Company and approximately 8.93% of the Company's issued share capital as enlarged by the allotment and issue of the Conversion Shares (assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds).

REASONS FOR THE PLACING AND USE OF PROCEEDS

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 the rental of logistic warehouse in Hong Kong and office facilities in the PRC.

The Directors consider that the Placing represents an opportunity to raise additional funding for the Group's business operation and it will also strengthen the capital base and financial position for the Group's future business developments and broaden the Shareholder base of the Company. Furthermore, the Directors consider that the Placing provides the Company with funding without immediate dilution effect on the shareholding of the existing Shareholders.

Assuming the Convertible Bonds are fully placed by the Placing Agent and based on the fee of the Placing Agent in the amount of approximately HK\$5,000,000 and other expenses, the gross and net proceeds from the Placing are estimated to be approximately HK\$200 million and HK\$195 million respectively. The net price for the Placing is approximately HK\$0.39 per Conversion Share. The Company intends to apply the net proceeds from the Placing for the Group's settlement of loans, business development, investments and general working capital purposes.

The Directors (including the independent non-executive Directors) consider the terms of the Convertible Bonds and the Placing are negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming (a) there is no change in the issued share capital of the Company from the date of this announcement and up to the date of full conversion of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price (other than as a result of the allotment and issue of the Conversion Shares); and (b) all of the Convertible Bonds are placed in full, the shareholding structures of the Company (i) as at the date of this announcement and (ii) immediately after the allotment and issue of all the Conversion Shares are summarised as follows:

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the allotment and issue of all the Conversion Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Directors:				
Mr. Jiang Jianjun (<i>Note a</i>)	594,759,044	11.66	594,759,044	10.62
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>11.74</u>	<u>598,759,044</u>	<u>10.70</u>
Substantial Shareholders:				
Beidahuang (HK) International Trade Co., Limited (<i>Note b</i>)	660,000,000	12.94	660,000,000	11.78
Able Turbo Enterprises Limited (<i>Note c</i>)	398,300,000	7.81	398,300,000	7.11
Public Shareholders:				
The Placees	–	–	500,000,000	8.93
Other public	<u>3,442,828,590</u>	<u>67.51</u>	<u>3,442,828,590</u>	<u>61.48</u>
Total	<u><u>5,099,887,634</u></u>	<u><u>100.00</u></u>	<u><u>5,599,887,634</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 398,300,000 Shares are held by Able Turbo Enterprises Limited (“**Able Turbo**”) as to 243,903,474 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.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Set out below is the equity fund raising activity conducted by the Company in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds up to the date of this announcement
1 November 2016	Subscription of 351,599,550 new Shares at a price of HK\$0.48 per subscription share	Approximately HK\$168.70 million	To finance business development, investments, acquisition, repayment of loans and general working capital of the Group	The net proceeds are utilised for the Group’s business development, investments and acquisition

Shareholders and potential investors of the Company should note that the Placing is subject to the fulfillment of the condition precedent set out in the Placing Agreement, and may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Board”	the board of the Directors
“Bondholder(s)”	holder (s) of the Convertible Bonds

“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 Placing pursuant to the provisions of the Placing Agreement
“Completion Date”	a date falling on the fifth Business Day following the condition set out in the section headed “Condition precedent to the Placing” of this announcement being fulfilled or on such other date as the Company and the Placing Agent will agree
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Conversion Price”	the initial conversion price of HK\$0.40 per Conversion Share (subject to adjustment)
“Conversion Share(s)”	the Share(s) which may fall to be issued upon exercise of the conversion rights attaching to the Convertible Bonds

“Convertible Bonds”	the convertible bonds in a maximum aggregate principal amount of up to HK\$200,000,000, to be issued by the Company to the Placees procured by the Placing Agent in accordance with the terms and conditions of the Placing Agreement
“Directors”	directors of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting held on 24 June 2016 to allot, issue and deal with up to 933,160,350 Shares, representing 20% of the total number of Shares in issue on the date of the passing of such resolution
“Group”	the Company and its subsidiaries
“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 Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	7 June 2017 (or such other date as may be agreed between the Company and the Placing Agent in writing)
“Maturity Date”	the date falling 24 months from the date of first issue of the Convertible Bonds

“Placee(s)”	any professional, institutional or other investor(s) procured by the Placing Agent to subscribe for any principal amount of the Convertible Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Convertible Bonds procured by or on behalf of the Placing Agent to selected Placees on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	China Sky Securities Limited, a company licensed to carry on type 1 (dealing in securities) regulated activities under the SFO
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 7 April 2017 in relation to the Placing
“Placing Period”	the period of two months commencing from the execution of the Placing Agreement, unless terminated earlier pursuant to the terms of the Placing Agreement
“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)
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases
“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, 7 April 2017

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