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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 DISPOSAL OF A NON WHOLLY-OWNED SUBSIDIARY

THE DISPOSAL

On 27 April 2018 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor will sell, and the Purchaser (or its nominee) will acquire the Sale Interest, representing 51% of the equity interest in Fujian Fangrun, at a consideration of RMB50 million. Upon completion of the Disposal, the Vendor will cease to have any equity interest in Fujian Fangrun.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with Chapter 14 of the Listing Rules for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 27 April 2018 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor will sell, and the Purchaser (or its nominee) will acquire the Sale Interest at a consideration of RMB50 million.

THE AGREEMENT

Principal terms of the Agreement are set out below:

Date: 27 April 2018

Parties: 1. The Vendor
2. The Purchaser

Subject matter of the Disposal

Pursuant to the Agreement, the Vendor will sell, and the Purchaser (or its nominee) will acquire the Sale Interest, representing 51% equity interest in Fujian Fangrun. As at the date of this announcement, Fujian Fangrun is owned as to 51% and 49% by the Vendor and 福建省方方投資管理有限公司 (Fujian Fangfang Investment Management Company Limited*), respectively.

Consideration and financial effects of the Disposal

Pursuant to the Agreement, the Consideration is RMB50 million and shall be satisfied by cash and payable by the Purchaser within five (5) days from the Completion of the Disposal.

The Consideration was agreed between the Vendor and the Purchaser after arm's length negotiations on normal commercial terms after taking into consideration of (i) the reasons for the Disposal as disclosed in the paragraph headed "Reasons for and Benefits of the Disposal" below; (ii) the original acquisition cost of Fujian Fangrun by the Vendor; and (iii) the paid-up capital of Fujian Fangrun.

As a result of the Disposal, the Group is expected to record an unaudited gain on disposal of approximately RMB2.06 million with reference to (i) the 51% of the unaudited net assets of Fujian Fangrun as at 31 December 2017 of RMB19.75 million; (ii) the goodwill arising from Fujian Fangrun of RMB37.87 million; and (iii) the Consideration of RMB50 million.

The Group intends to use the net proceeds from the Disposal for its general working capital and potential investment purpose.

Conditions Precedent

Completion is conditional upon the fulfilment of the following conditions precedent:

- i. from the date of the Agreement, the Purchaser shall have the right to immediately send personnel to work at the financial, production, sales, management, operation, marketing and other departments of Fujian Fangrun. The Vendor shall ensure that Fujian Fangrun enables such personnel to have access to the relevant information, such as construction, business, finance, personnel, marketing, daily operations, etc.. The Vendor shall guarantee that such information is true, accurate, complete and free from any material omission;
- ii. from the date of the Agreement, the Vendor shall immediately and unconditionally transfer the relevant materials of Fujian Fangrun to the Purchaser, including but not limited to all certificates, seals and official seals, construction drawings, budgets, original and electronic materials (if any) of contracts and other related documents;
- iii. within ten (10) days from the date of the Agreement, the Vendor shall take all reasonable and necessary measures to (a) obtain written consent from other shareholder(s) of Fujian Fangrun to waive the pre-emptive rights in relation to the Disposal; (b) procure Fujian Fangrun to issue the capital contribution certificate to the Purchaser, and (c) record the Purchaser on the shareholder list of Fujian Fangrun; and
- iv. within fifteen (15) working days from the date of the Agreement, the Vendor shall take measures to procure Fujian Fangrun to complete the registration in relation to the Disposal, including but not limited to, (a) lift the judicial freezing of Fujian Fangrun's assets, (b) convene the shareholders' meeting of Fujian Fangrun to review and approve matters related to the Disposal; (c) complete the registrations and filing procedures at the Administration for Industry and Commerce in relation to the changes relating to shareholders, articles, legal representatives, directors, supervisors, senior management personnel, and other related changes; and (d) renew the business license of Fujian Fangrun.

The Vendor agrees and undertakes that, during the transitional period between 27 April 2018 and the date of Completion, it shall carry out its duties to manage Fujian Fangrun on good faith, and shall not directly or indirectly act against the interests of Fujian Fangrun.

The Purchaser and the Vendor further agree that if the Disposal may cause Fujian Fangrun to fail to subsist, continuously hold effective business qualification, continue to engage in its existing businesses, or violate the applicable laws, and result in an inability to complete or achieve the purpose of the transaction, the Agreement will automatically terminate.

Completion

Completion shall take place on 31 May 2018 following the due fulfilment of all of the conditions precedent of the Agreement or at such other time as the Purchaser and the Vendor may agree.

In the event that any of the conditions above cannot be fulfilled or waived, to the extent that such condition is waiveable, by 31 May 2018, the Disposal will not proceed, and the Purchaser shall transfer the Sale Interest back to the Vendor, where applicable.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability, and principally engaged in construction, decoration, electricity and pipe installation.

To the best of the Directors' knowledge, information and belief having made all reasonably enquiry, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

INFORMATION OF FUJIAN FANGRUN

Fujian Fangrun is a company established in the PRC with limited liability. The registered capital of Fujian Fangrun is RMB100.99 million, and RMB50 million of the registered capital has been paid-up as at the date of the Agreement. Fujian Fangrun is principally engaged in general construction contracting for housing and building project and general construction contracting for municipal public project. The business scope of Fujian Fangrun includes overall contracting for construction of buildings and governmental public facilities; professional contracting for (i) installation of mechanical and electrical equipment, (ii) construction renovation and engineering, (iii) garden ancient architectural construction, (iv) firefighting facilities construction, and (v) steel structure engineering; design and construction of construction curtain wall.

Set out below are the audited financial information of Fujian Fangrun for each of the two financial years ended 31 December 2016 and 2017 prepared according to the Hong Kong Accounting Standards:

	For the year ended	
	31 December	
	2016	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Net loss before taxation	(161)	(1,698)
Net loss after taxation	(2,338)	(1,698)

As at 31 December 2017, the net assets of Fujian Fangrun were RMB19.75 million.

Upon completion of the Disposal, the Vendor will cease to have any equity interest in Fujian Fangrun, and Fujian Fangrun will cease to be a subsidiary of the Company and the financial information of the Fujian Fangrun will no longer be consolidated into the Group's financial statements.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in sale of green food products; wholesaling and retailing of staple food, cooking oil, alcohol and beverage, frozen and fresh food; construction for municipal public project; flotation selection of non-ferrous metals mines and sales of mineral products; money lending and the rental of logistic warehouse in Hong Kong and office facilities in the PRC. The Vendor is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company.

As part of the Group's then strategy to diversify its business, and in light of Shenzhen Tronsin and Fujian Fangrun had won the bid for the PPP Project, the Group acquired Shenzhen Tronsin and Fujian Fangrun in March 2016 with a view to participate in the relevant PPP Project. Please refer to the Company's announcement dated 1 March 2016 for further details of the then acquisition. After such acquisition, the PPP Project did not proceed as expected, and both of Shenzhen Tronsin and Fujian Fangrun had generally been loss-making since the acquisition. As such, the Company has disposed Shenzhen Tronsin in August 2016 for RMB35 million, the same consideration for its then acquisition in March 2016.

Accordingly, the Directors believe that the negative financial performance of the Fujian Fangrun may continue to cast uncertainty on the Group's overall financial performance (if it were to stay within the Group). The Directors consider that the Disposal is expected to improve the overall financial performance of the Group.

In view of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated in accordance with Chapter 14 of the Listing Rules for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Agreement”	the equity transfer agreement dated 27 April 2018 entered into between the Vendor and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Company”	China Beidahuang Industry Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	the Completion of the Disposal in accordance with the terms and conditions of the Agreement

“Consideration”	the sum of RMB50 million, being the consideration for the Sale Interest
“Director(s)”	the director(s) of the Company
“Disposal”	the equity transfer of the Sale Interest from the Vendor to the Purchaser pursuant to the terms of the Agreement
“Fujian Fangrun”	福建方潤建設集團有限公司 (Fujian Fang Run Construction Group Company Limited*), a limited liability company established in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PPP Project”	Public-Private-Partnership (PPP) project which a government-owned power grid company of a county in the PRC invites private enterprises to submit tender to provide and improve lighting and the municipal projects related with it in certain areas in that county
“PRC”	The People’s Republic of China (excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“Purchaser”	深圳市臻銘裝修裝飾工程有限公司 (Shenzhen Zhenming Decoration Engineering Co., Ltd.*), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency in the PRC

“Sale Interest”	51% equity interest in Fujian Fangrun
“Shenzhen Tronsin”	深圳市創先照明科技有限公司 (Shenzhen Tronsin Illuminating Technique Ltd.*), a limited liability company established in the PRC
“Vendor”	深圳市鵬達融通商貿有限公司 (Shenzhen Penda Rongtong Trading Limited*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“%”	per cent

In this announcement, the terms “connected person”, “percentage ratios” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Hong Kong, 27 April 2018

As at the date of this announcement, the Executive Directors are Mr. Jiang Jianjun, Mr. Ke Xionghan, Mr. Zeng Fanxiong and Mr. Huang Wuguang; 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