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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)

STRATEGIC CO-OPERATION FRAMEWORK AGREEMENT

THE STRATEGIC CO-OPERATION FRAMEWORK AGREEMENT

The Board is pleased to announce that on 10 August 2016, the Company and Party A entered into the Strategic Co-operation Framework Agreement pursuant to which the parties shall co-operate and explore the Project Activities in the PRC by way of joint venture arrangements.

The Board wishes to emphasis that the parties have not yet commenced the formal negotiation about the terms of the relevant joint venture arrangements. Subject to negotiation, the relevant joint venture arrangements may or may not be materialized eventually. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

INTRODUCTION

The Board is pleased to announce that on 10 August 2016, the Company and Party A entered into the strategic co-operation framework agreement (“**Strategic Co-operation Framework Agreement**”), pursuant to which the parties shall co-operate and explore the Project Activities in the PRC by way of joint venture arrangements.

THE STRATEGIC CO-OPERATION FRAMEWORK AGREEMENT

Date

10 August 2016

The Parties

- (1) The Company; and
- (2) Party A.

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Party A and its ultimate governing body and/or beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject Matter

Pursuant to the Strategic Co-operation Framework Agreement, the parties agreed to establish long term strategic co-operating partner relationship with each other to venture into the Project Activities based on the principles of complementary competitive edges, aligned development strategies and win-win partner relationship. Based on the Strategic Co-operation Framework Agreement, the parties shall negotiate the terms of the relevant joint venture arrangements in respect of each feasible project item covered by the Project Activities strictly in accordance with their respective internal assessment procedures and the regulatory requirements of the PRC government.

Information of the Group and Party A

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 leasing of logistic facilities in Hong Kong.

Party A is a limited company incorporated in the PRC and principally engaged in the business activities as the lead contractor of foundation works for building construction, development and sale of properties, investment in and construction of town building projects, and management of construction projects. Party A has registered capital of RMB1 billion and is a wholly-owned subsidiary of Shanxi Construction Engineering (Group) Corporation* (山西建築工程(集團)總公司), which is, by scale, the largest integrated construction group in Shanxi of the PRC.

REASONS FOR AND BENEFITS OF THE STRATEGIC CO-OPERATION FRAMEWORK AGREEMENT

In order to diversify the business of the Group for maximizing returns to the Shareholders, the Group has been actively seeking various development and investment opportunities. As announced by the Company on 3 January 2016, 26 January 2016 and 1 March 2016, the Company has started to actively explore and participate in PPP projects in the PRC. In operating and completing the PPP projects, the Company needs strong support from reliable contractors with solid construction and management expertise in foundation works. By entering into the Strategic Co-operation Framework Agreement and subject to the relevant joint venture arrangements, the Company can secure the full support of Party A, which is a reputable contractor with nationally recognized leading status and professional expertise in construction and management of foundation and building works, to ensure that the Company is able to complete the PPP projects according to contracts with state-owned entities. Party A can also secure more business opportunities in contractual construction and building works under PPP model. As PPP projects are the main project items under the Project Activities and have an estimated life span of 5 to 8 years, by developing, operating and investing in the Project Activities with Party A, it is expected that the Group can derive steady, mid-term continuous revenue stream from these activities.

The Directors are of the view that subject to the relevant joint venture arrangements between the Group and Party A being materialized, the Company and its Shareholders can benefit from the return of the Project Activities initiated by the Strategic Co-operation Framework Agreement.

GENERAL

The Board wishes to emphasize that the parties have not yet commenced the formal negotiation about the terms of the relevant joint venture arrangements for each project item under the Project Activities. Subject to negotiation, the relevant joint venture arrangements may or may not be materialized eventually. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

Further announcement in respect of the above possible joint venture arrangements will be made by the Company in accordance with the applicable requirements of the Listing Rules as and when appropriate.

DEFINITION

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

“Board”	the board of Directors
“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
“Directors”	directors of the Company
“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
“Party A”	Shanxi Construction Development Co., Ltd.* (山西建設發展有限公司), a company established in the PRC with limited liability

“PRC”	the People’s Republic of China
“PPP”	public-private partnership
“Project Activities”	include (among others) (a) exploration and completion of PPP projects in the PRC; (b) investment in and construction of good quality projects and exploration of property development projects in the PRC; (c) investment in town building projects involving reconstruction of old towns and shanty towns in the PRC; and (d) formation of a supply-chain management company to provide quality building materials to projects operated jointly by the Company and Party A at reasonable price to achieve cost minimization and profit maximization for the projects
“Shareholders”	holders of the 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

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

Hong Kong, 10 August 2016

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.*