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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)

PROPOSED RESTRUCTURING INVOLVING
(1) CONNECTED TRANSACTION IN RELATION TO
THE SUBSCRIPTION UNDER SPECIFIC MANDATE;
(2) CREDITORS' SCHEME;
(3) ISSUE OF SCHEME SHARES
UNDER SPECIFIC MANDATE; AND
(4) CONNECTED TRANSACTION AND
VERY SUBSTANTIAL DISPOSAL
IN RELATION TO THE DISPOSAL

THE PROPOSED RESTRUCTURING

The Board proposes to implement the Proposed Restructuring which involves (a) the Subscription; and (b) the Creditors' Scheme, the terms of which include (i) the Scheme Share Issue; (ii) the Disposal; and (iii) the discharge of the Creditors' Claims against the Company.

THE RESTRUCTURING AGREEMENT AND THE SUBSCRIPTION

On 25 January 2024 (after trading hours), the Company and the Investor entered into the Restructuring Agreement in respect of the conditional subscription by the Investor of 850,000,000 Subscription Shares at the Total Subscription Price of HK\$85,000,000, representing a Subscription Price of HK\$0.10 per Subscription Share. Upon the allotment and issue of the Subscription Shares to the Investor, the Subscription Shares shall in aggregate represent approximately 11.24% of the Enlarged Issued Share Capital.

The Subscription is subject to, among other things, the Independent Shareholders' approval. The Subscription Shares will be allotted and issued under the Specific Mandate to be granted by the Shareholders at the EGM.

THE CREDITORS' SCHEME

The Creditors' Scheme involves, among others, (i) the Scheme Share Issue (under which the Company will allot and issue the Scheme Shares to the Scheme Creditors, or in the case of any Scheme Creditor who has validly elected to receive cash in lieu of the Scheme Shares that they would otherwise be entitled to receive under the Creditors' Scheme, to the Scheme Company for the benefit of such Scheme Creditor); and (ii) the Disposal (under which Interests in Scheme Subsidiaries will be disposed to the Scheme Company).

The Scheme Meeting was convened and held on 20 November 2023, at which the Creditors' Scheme was approved by the requisite majorities of the Scheme Creditors. At the Sanction Hearing on 29 November 2023, the Creditors' Scheme was sanctioned without modification by the High Court.

Under and subject to the terms of the Creditors' Scheme, in exchange for the Creditors' discharge and release of their respective Claims against the Company, the Scheme Creditors will be entitled to receive the Cash Dividend and, in the case of Scheme Creditors who have not elected to receive cash in lieu of the Scheme Shares, the Scheme Shares, for full and final settlement of their respective Admitted Claims.

The Cash Dividend will consist of: (a) subject to the payment of any Preferential Claims and the Scheme Costs, up to HK\$45 million from the Initial Cash Payment as part of the Subscription Proceeds, and any cash proceeds from the disposal of the Scheme Shares (where applicable); (b) the proceeds from the disposal of the Interests in Scheme Subsidiaries; and (c) any proceeds generated from the realisation of the claims or rights to claim of the Company against Mr. Jiang Jianjun in respect of loss or damages to the assets of the Company and/or Group, which will be transferred to the Scheme Company upon the Effective Date, or such later date as the Scheme Administrators may decide in accordance with the terms of the Creditors' Scheme.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries and based on the information available as at the date of this announcement, all of the Creditors who submitted notice of claim for voting purpose are Independent Third Parties.

The Scheme Share Issue

Under the Scheme Share Issue, 377,879,793 Shares, representing approximately 5.00% of the Enlarged Issued Share Capital, would be capitalised from the Company's existing debts owed to the Scheme Creditors (in the approximate amount of HK\$37,787,979.30) at HK\$0.10 per Share, which is equal to the Subscription Price. The Scheme Shares shall rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of the Scheme Shares. The net price per Scheme Share after the deduction of the relevant expenses incidental to the Creditors' Scheme is estimated to be approximately HK\$0.10 per Share.

The allotment, issue and registration, as well as the listing of and permission to deal in the Scheme Shares will be subject to the Court Order, approval of the Shareholders at the EGM and approval of the Stock Exchange. The Scheme Share Issue is conditional upon the Creditors' Scheme being effective, which is subject to the satisfaction of all the conditions to the Creditors' Scheme.

The Disposal

As part of the terms of the Creditors' Scheme, the Scheme Subsidiaries will be transferred to the Scheme Company by the Group. It is expected that the Scheme Subsidiaries will be transferred to the Scheme Company at nil or nominal consideration.

It is expected that the Scheme Subsidiaries will be transferred to the Scheme Company on the date on which the Creditors' Scheme becomes unconditional and comes into effect or on such other date as the Scheme Administrators may decide in accordance with the terms of the Creditors' Scheme.

As part of the Creditors' Scheme, the Disposal will be effective upon the Creditors' Scheme becoming effective. The Disposal will be subject to the Independent Shareholders' approval at the EGM.

LISTING RULES IMPLICATION

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 Subscription Shares and the Scheme Shares on the Stock Exchange.

As at the date of this announcement, Mr. Chen Jiayi, an investor in China Qujiang Fund, which in turn wholly owns the Investor, holds 33,440,000 Shares, representing approximately 0.53% of the issued share capital of the Company and is the father of Mr. Chen Chen, an executive Director. Mr. Chen Guofeng, an investor in China Qujiang Fund, which in turn wholly owns the Investor, is the cousin of Mr. Chen Chen. As such, Mr. Chen Jiayi is an associate of Mr. Chen Chen and hence a connected person of the Company, and Mr. Chen Guofeng is a deemed connected person of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal as calculated under the Rule 14.07 of the Listing Rules, when aggregated, is 75% or more, the Disposal constitutes a very substantial disposal under Chapter 14 of the Listing Rules. Although the interest held by Mr. Chen Jiayi and Mr. Chen Guofeng in China Qujiang Fund in aggregate is 49.41% and less than 50% (and hence the Investor is not a connected person of the Company), the Board considered that the Subscription and the Disposal constitute connected transactions under Chapter 14A of the Listing Rules. Therefore, the Subscription and the Disposal are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders in relation to, among other things, the Subscription, the Disposal and the transactions contemplated thereunder. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A further announcement will be made by the Company in relation to the appointment of the Independent Financial Adviser.

GENERAL

The EGM will be convened and held for the Relevant Shareholders to consider and, if thought fit, approve, among other things, the Restructuring Agreement (including the issue of Subscription Shares under Specific Mandate), the issue of Scheme Shares under Specific Mandate, the Disposal, and the transactions contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution(s) will be taken by way of poll at the EGM.

Any Shareholder who is interested in the transactions contemplated under the Restructuring Agreement shall abstain from voting on the relevant resolution(s) at the EGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder is interested in the Scheme Share Issue and the transactions contemplated thereunder and will be required to abstain from voting on the resolution(s) to approve the Scheme Share Issue and the transactions contemplated thereunder at the EGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Chen Jiayi, none of the Shareholders has a material interest in the transactions contemplated under the Restructuring Agreement as at the date of this announcement. Accordingly, save for Mr. Chen Jiayi and his associates, no Shareholder is required to abstain from voting on the relevant resolution(s).

A circular containing, among other things, (i) further details of the Restructuring Agreement (including the issue of Subscription Shares under Specific Mandate), the issue of Scheme Shares under Specific Mandate, the Disposal, and the transactions contemplated thereunder, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, (iv) a notice convening the EGM, and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders on or before 19 February 2024.

Shareholders and potential investors of the Company should be aware that the Proposed Restructuring (including the Subscription, the Scheme Share Issue, the Disposal and the Creditors' Scheme) are subject to certain conditions being fulfilled or waived, as applicable, and thus the Proposed Restructuring may or may not be implemented or proceed to Completion. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

References are made to the announcements of the Company dated 10 January 2023, 27 January 2023, 15 March 2023, 23 March 2023, 30 March 2023, 2 April 2023, 4 April 2023, 19 April 2023, 23 May 2023, 7 June 2023, 16 June 2023, 21 June 2023, 25 June 2023, 5 July 2023, 21 July 2023, 31 July 2023, 18 August 2023, 13 September 2023, 18 September 2023, 20 September 2023, 27 October 2023, 20 November 2023, 29 November 2023, 1 December 2023, 5 December 2023, 7 December 2023 and 13 December 2023 in relation to, among other things, the petitions made against the Company and the Proposed Restructuring (the “**Announcements**”). Unless otherwise stated or defined herein, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The Board is pleased to announce that, on 25 January 2024 (after trading hours), the Company and the Investor have entered into the Restructuring Agreement in respect of the Subscription, under which the Investor conditionally agreed to subscribe for 850,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Share.

Further information in relation to the Proposed Restructuring, involving (i) the Subscription, (ii) the Creditors’ Scheme, (iii) the issue of Scheme Shares, (iv) the Disposal, is set out in the below.

A. THE PROPOSED RESTRUCTURING

As disclosed in the Announcements, in or around March 2023, in light of the current liquidity constraints and financial challenges of the Company, the Company has been working closely with its professional advisers and has been exploring the Proposed Restructuring, including but not limited to the restructuring of debts by way of a Creditors’ Scheme.

The Proposed Restructuring involves the following steps:

- (a) the Subscription (the Completion of which is subject to the conditions as set out in the section headed “*Conditions Precedent to the Subscription*” in this announcement); and
- (b) the Creditors’ Scheme, the terms of which include:
 - (i) the Scheme Share Issue;
 - (ii) the Disposal; and
 - (iii) the discharge of the Creditors’ Claims against the Company.

B. THE RESTRUCTURING AGREEMENT

Further to the legally binding Term Sheet entered into between the Company and the Investor on 29 March 2023, on 25 January 2024, the Company and the Investor entered into the Restructuring Agreement in respect of the conditional subscription by the Investor of 850,000,000 Subscription Shares at the Subscription Price of HK\$0.10 per Share.

The terms of the Restructuring Agreement supersede and replace the Term Sheet in its entirety, and the principal terms of the Restructuring Agreement are set out below.

Date

25 January 2024

Parties

- (1) the Company; and
- (2) the Investor

The Subscription

Under the Restructuring Agreement, the Investor conditionally agreed to subscribe for, and the Company conditionally agreed to issue, 850,000,000 Subscription Shares at the Total Subscription Price of HK\$85,000,000, representing a Subscription Price of HK\$0.10 per Subscription Share.

Upon the allotment and issue of the Subscription Shares to the Investor, the Subscription Shares shall in aggregate represent approximately 11.24% of the Enlarged Issued Share Capital.

Ranking

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of the Subscription Shares.

Use of Proceeds

Under the Restructuring Agreement, the Total Subscription Price of HK\$85,000,000 will be applied towards the Proposed Restructuring and the future business operation of the Company in the following manner:

- (a) HK\$45,000,000 shall be paid to the Scheme Company and used, subject to the payment of any Preferential Claims and the Scheme Costs, for the benefit of the Scheme Creditors pursuant to the Creditors' Scheme;
- (b) up to HK\$20,000,000 shall be used to settle the Restructuring Costs (or, where a Loan for Restructuring Costs has been made available and drawn by the Company, be offset against the Loan for Restructuring Costs); and
- (c) the remaining balance of the Total Subscription Price shall be used as general working capital of the Company.

The Subscription Price

The Subscription Price of HK\$0.10 per Share represents:

- a discount of approximately 52.38%, based on the closing price HK\$0.210 per Share as quoted on the Stock Exchange on the Last Trading Date;
- a discount of approximately 51.55%, based on the average closing price of HK\$0.2064 per Share as quoted on the Stock Exchange on the five consecutive trading days up to and including the Last Trading Date;
- a gain of approximately 14.94%, based on the closing price HK\$0.087 per Share as quoted on the Stock Exchange on the date of the Restructuring Agreement;
- a gain of approximately 20.19%, based on the closing price HK\$0.0832 per Share as quoted on the Stock Exchange on the five consecutive trading days up to and including the date of the Restructuring Agreement;
- a discount of approximately 20.70%, based on the average closing price of approximately HK\$0.1261 per Share over the period commencing from 12 months prior and up to the signing of the Restructuring Agreement;

- a discount of approximately 19.64% to the net asset value per Share of approximately HK\$0.124 as at 31 December 2022 (as disclosed in the Company's 2022 annual results announcement dated 31 March 2023); and
- a discount of approximately 7.41% to the net asset value per Share of approximately HK\$0.108 as at 30 June 2023 (as disclosed in the Company's 2023 interim report dated 31 August 2023).

The net price per Subscription Share after the deduction of the relevant expenses incidental to the Subscription is estimated to be approximately HK\$0.08 per Share.

The Subscription Price had been agreed between the Company and the Investor under the Term Sheet and as disclosed in the Announcement dated 2 April 2023, the Subscription Price was arrived at after arm's length negotiations between the Company and the Investor after taking into account, among other things: (i) the net asset value per Share of approximately HK\$0.124 as at 31 December 2022 (as disclosed in the Company's 2022 annual results announcement dated 31 March 2023); (ii) the financial position of the Company and the difficulty in obtaining financing from banks and financial institutions to sustain the ongoing operations of the Company; (iii) the remaining operations and assets of the Group following the expected Disposal; (iv) the market sentiment in relation to investment in listed companies in similar financial situation; and (v) the Subscription being in the interests of the Company and the Shareholders as a whole.

Although there has been an increase in the Share price as against the average closing price per Share over the period commencing from 12 months prior and up to the signing of the Restructuring Agreement, the Directors note that there has been no actual improvement on the financial outlook of the Group. As such, there is little room for the Group to negotiate for an increase the Subscription Price in any material manner.

Based on the above reasons, the Board (excluding the independent non-executive Directors whose views will, after receiving the advice from the Independent Financial Adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) considers that the Subscription Price, including the relevant bases and discounts to the market price of the Shares, is commercially justifiable, and represents a realistic value for prospective investors in order to raise capital for the Company within a reasonable timeframe.

Conditions Precedent to the Subscription

Completion is subject to the following conditions having been satisfied or waived, as the case may be:

- (a) the approval from the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, all of the Subscription Shares and the Scheme Shares to be issued by the Company having been obtained, and such approval not having been revoked;
- (b) all of the relevant resolutions in connection with the Proposed Restructuring, including but not limited to the Subscription, the Scheme Share Issue and the Disposal having been duly passed by the Relevant Shareholders at the EGM in accordance with the Listing Rules and any other Applicable Laws, and such resolutions not having been revoked or vitiated;
- (c) all of the relevant resolutions in relation to the Proposed Restructuring (including the Subscription) having been duly passed by the Board;
- (d) sanction in respect of the Creditors' Scheme having been granted by the High Court and an office copy of the Court Order issued by the High Court for the purpose of sanctioning the Creditors' Scheme having been filed with the Companies Registry in Hong Kong for registration;
- (e) there being no material adverse change in the financial condition, trade barriers or property, results or operations of the Company or any relevant regulations as a whole; and
- (f) the representations and warranties given by the Investor in the Restructuring Agreement being true, correct, accurate, complete and not misleading at all times from the date of the Restructuring Agreement up to and including the date of Completion.

Other than Condition Precedent (e) above which can be waived by the Investor, and Condition Precedent (f) above which may be waived by the Company, none of the other Conditions Precedent can be waived.

If any of the Conditions Precedent has not been satisfied (or waived, as the case may be) by 5:00 p.m. on the Long Stop Date, the Restructuring Agreement shall automatically terminate with immediate effect, unless otherwise agreed by the Company and the Investor in writing. As at the date of this announcement, save for condition (d) which was satisfied as the sanction order was filed with the Companies Registry for registration on 12 December 2023, none of the Conditions Precedent above have been fulfilled.

Completion

Completion shall take place on or before the 10th Business Day after the date on which all of the Conditions Precedent have been satisfied (or waived, as the case may be), but in any event on or before the Long Stop Date, at such place as the Company and the Investor may agree.

Parties' undertakings

Under the Restructuring Agreement, the parties undertake to reasonably endeavour, and procure their Affiliates to reasonably endeavour, to implement the Creditors' Scheme upon the terms of the Scheme Document. Details of the terms of the Creditors' Scheme are set out under the section headed "*The Creditors' Scheme*" in this announcement.

Investor's undertakings

Under the Restructuring Agreement, the Investor has irrevocably undertaken to the Company that, in connection with the Proposed Restructuring:

- (a) to provide undertakings to the High Court agreeing to, and agreeing to be bound by, the terms of the Creditors' Scheme;
- (b) to cooperate with the Company and the Scheme Administrators in their preparation of the circular to be sent to the Shareholders with notice of the EGM;
- (c) to execute and deliver such documents (as a deed or otherwise) and perform such acts, or procure its Affiliates to execute and deliver such documents (as a deed or otherwise) and perform such acts, as may be required by Applicable Law or as may be necessary, desirable or advisable to give full effect to the Restructuring Agreement and/or the Creditors' Scheme, or as any party to the Restructuring Agreement may request for the purposes of giving the full benefit of the Restructuring Agreement to the requesting party or giving the full benefit of the Creditors' Scheme to a Scheme Creditor; and

- (d) to support, and to procure its Affiliates to support, the Creditors' Scheme and to provide and cause to be provided such undertakings to the Court as are appropriate, necessary and/or advisable for the Creditors' Scheme to be approved and/or implemented,

in each case, in accordance with the terms and subject to the conditions of the Scheme Document.

Restructuring Costs and Loan for Restructuring Costs

In the event that the Restructuring Agreement is terminated prior to Completion taking place, the Investor has undertaken to pay the Restructuring Costs to the relevant professional adviser(s) of the Company.

Further, under the Restructuring Agreement, the Investor agreed to grant an interest-free loan facility in the principal amount of up to HK\$20,000,000 to the Company for the sole purpose of settling the Restructuring Costs (the "**Loan for Restructuring Costs**"). If the Restructuring Agreement is terminated prior to Completion taking place, and a Loan for Restructuring Costs has been made available and drawn by the Company, the Investor will offset on a dollar-for-dollar basis and irrevocably release the Company from repaying the Loan for Restructuring Costs due to it.

C. THE CREDITORS' SCHEME

Reference is made to the Announcements dated 23 March 2023, 16 June 2023, 21 June 2023, 31 July 2023, 18 August 2023, 27 October 2023 and 20 November 2023 in which the Board announced, among other things, that the Company proposed to implement, subject to the approval by the High Court, the Creditors' Scheme, and the results of the Scheme Meeting.

As disclosed in the Announcements dated 20 November 2023 and 29 November 2023, the Scheme Meeting was convened and held on 20 November 2023, at which the Creditors' Scheme was approved by the requisite majorities of the Scheme Creditors. At the Sanction Hearing on 29 November 2023, the Creditors' Scheme was sanctioned without modification by the High Court.

Creditors' claims against the Company

Based on the available books and records of the Company, the estimated total amount of claims against the Company (including the Company's contingent liability in relation to the corporate guarantee provided by it for the Defaulted Construction Payables in the amount of approximately HK\$86,238,000) was approximately HK\$724 million (excluding any alleged/purported penalty interests) as at 30 June 2023. As at the date of the Scheme Meeting, 31 Creditors submitted notice of claim for voting purpose, including five direct and indirect subsidiaries of the Company, and eight former or current employees of the Group. The total amount of Claims will be subject to the Creditors' submission of claim for dividend purpose, the admission or rejection, in whole or in part, by the administrators of the Creditors' Scheme, and adjudication result in the event that the Creditor is dissatisfied with the decision of the Scheme Administrators, when the Creditors' Scheme becomes effective.

Five subsidiaries of the Company are Scheme Creditors, including Shenzhen Qianhai Dahuangyuan (which is a Scheme Subsidiary) and four other subsidiaries that will be part of the Retained Group upon completion of the Proposed Restructuring. As at the date of this announcement, all of these five subsidiaries have undertaken to elect to receive cash *in lieu of* Scheme Shares for full and final settlement of their respective Admitted Claims.

The Company has given a corporate guarantee to guarantee certain payment obligations of its wholly-owned subsidiary in relation to the joint and several liability that the Company assumed for the Defaulted Construction Payables, details of which has been disclosed in the annual report of the Company for the year ended 31 December 2022. The aforesaid corporate guarantee constitutes a provision of financial assistance to its wholly-owned subsidiary, and therefore does not constitute a notifiable transaction under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries and based on the information available as at the date of this announcement, all of the Creditors who submitted notice of claim for voting purpose are Independent Third Parties.

Steps involved in the Creditors' Scheme

Further to the Announcements dated 27 October 2023 and 29 November 2023, the Creditors' Scheme involves the following steps for the Company:

- (a) within 30 Days of the registration date of the court order sanctioning the Creditors' Scheme with the Companies Registry in Hong Kong, or such extended date as may be agreed by the Company with the administrators of the Creditors' Scheme, HK\$45,000,000 out of the Subscription Price shall be paid to the Scheme Company;
- (b) the Scheme Share Issue, under which the Company will allot and issue the Scheme Shares to the Scheme Creditors (or in the case of any Scheme Creditor who has validly elected to receive cash *in lieu* of the Scheme Shares that they would otherwise be entitled to receive under the Creditors' Scheme, to the Scheme Company for the benefit of such Scheme Creditor);
- (c) upon the Effective Date (or such later date agreed in writing between the Company and the Scheme Administrators), the Company shall execute all necessary documentation, as may be reasonably requested by the Scheme Administrators, for the Disposal (i.e. in order to transfer the Interests in Scheme Subsidiaries to the Scheme Company), and shall take such other steps and execute such other documents as, in the opinion of the Scheme Administrators, are necessary for the realisation of the shares in or the assets of the Scheme Subsidiaries;
- (d) from the Effective Date to the date of termination of the Creditors' Scheme in accordance with its terms, the Company shall, from time to time: (i) execute all necessary documentation, as may be reasonably requested by the Scheme Administrators, in order to assign to the Scheme Company unconditionally and irrevocably any claims or rights to claim of the Company against Mr. Jiang Jianjun; and
- (e) on the Effective Date, all Claims owing by the Company to the Creditors as of the Effective Date will be discharged and released in full as against the Company. Once the Creditors' Scheme becomes effective, the Creditors' Scheme will remain legally binding on the Company and all Creditors (regardless of whether the Creditors (a) voted in favour of the Creditors' Scheme, and/or (b) submitted claims for dividend purposes).

Under and subject to the terms of the Creditors' Scheme, in exchange for the Creditors' discharge and release of their respective Claims against the Company, the Scheme Creditors will be entitled to receive the Cash Dividend and, in the case of Scheme Creditors who have not elected to receive cash *in lieu* of the Scheme Shares, the Scheme Shares, for full and final settlement of their respective Admitted Claims.

The Cash Dividend will consist of: (a) subject to the payment of any Preferential Claims and the Scheme Costs, up to HK\$45 million from the Initial Cash Payment as part of the Subscription Proceeds, and any cash proceeds from the disposal of the Scheme Shares (where applicable); (b) the proceeds from the disposal of the Interests in Scheme Subsidiaries; and (c) any proceeds generated from the realisation of the claims or rights to claim of the Company against Mr. Jiang Jianjun in respect of loss or damages to the assets of the Company and/or Group, which will be transferred to the Scheme Company upon the Effective Date, or such later date as the Scheme Administrators may decide in accordance with the terms of the Creditors' Scheme.

As at the date of this announcement, to the best knowledge of the Board, there are no claim or rights to claim of the Company against Mr. Jiang Jianjun in respect of loss or damages to the assets of the Company and/or Group.

Save for any Preferential Claims (which will be paid by the Scheme Company in full) and the Secured Claims, the Scheme Creditors, under the terms of the Creditors' Scheme, will receive the Cash Dividend and the Scheme Shares (or proceeds *in lieu* of Scheme Shares), after the settlement of any Preferential Claims and the Scheme Costs and subject to any reserve which the Scheme Administrators may make for Unadmitted Claims, proportionally based on their Admitted Claims.

The Scheme Share Issue

Under the Scheme Share Issue, 377,879,793 Shares, representing approximately 5.00% of the Enlarged Issued Share Capital, would be capitalised from the Company's existing debts owed to the Scheme Creditors (in the approximate amount of HK\$37,787,979.30) at HK\$0.10 per Share, which is equal to the Subscription Price. The Scheme Shares shall rank *pari passu* in all respects with the then existing Shares in issue on the date of allotment and issue of the Scheme Shares. The net price per Scheme Share after the deduction of the relevant expenses incidental to the Creditors' Scheme is estimated to be approximately HK\$0.10 per Share.

The allotment, issue and registration, as well as the listing of and permission to deal in the Scheme Shares will be subject to the Court Order, approval of the Shareholders at the EGM and approval of the Stock Exchange.

The Scheme Share Issue is conditional upon the Creditors' Scheme being effective, which is subject to the satisfaction of all the conditions to the Creditors' Scheme as set out in the section headed "*Conditions precedent to the Creditors' Scheme*" in this announcement.

The Disposal

As part of the terms of the Creditors' Scheme, the Scheme Subsidiaries will be transferred to the Scheme Company by the Group.

It is expected that the Scheme Subsidiaries will be transferred to the Scheme Company at nil or nominal consideration.

As the Disposal is a part of the Creditors' Scheme which would lead to the discharge and release of the Claims in full as against the Company on the Effective Date, the Directors (excluding the independent non-executive Directors whose views will, after receiving the advice from the Independent Financial Adviser, be set out in the letter from the Independent Board Committee in the circular to be despatched to the Shareholders) consider that the Disposal at nil or nominal consideration is fair and reasonable and is in the best interest of the Shareholders and the Company as a whole.

As part of the Creditors' Scheme, the Disposal will be effective upon the Creditors' Scheme becoming effective (for further details, please refer to the section headed "*Conditions precedent to the Creditors' Scheme*" in this announcement). The Disposal will be subject to the Independent Shareholders' approval at the EGM.

It is expected that the Scheme Subsidiaries will be transferred to the Scheme Company on the date on which the Creditors' Scheme becomes unconditional and comes into effect or on such other date as the Scheme Administrators may decide in accordance with the terms of the Creditors' Scheme.

Conditions precedent to the Creditors' Scheme

The Creditors' Scheme will be implemented and shall become binding and effective on the Company and the Creditors if the following conditions precedent are satisfied:

- (a) over fifty per cent (50%) in number of the Creditors, representing at least seventy-five per cent (75%) in value of the Creditors present and voting in person (or through electronic means if applicable) or by proxy at the Scheme Meeting, voting in favour of the Creditors' Scheme;
- (b) sanction in respect of the Creditors' Scheme having been granted by the High Court and an office copy of the order of the High Court sanctioning the Creditors' Scheme having been delivered to the Companies Registry in Hong Kong for registration; and
- (c) HK\$45,000,000 of the Total Subscription Price being received by the Scheme Company within thirty (30) days after the registration date of the Court Order with the Companies Registry in Hong Kong, or such extended date as may be agreed by the Company with the Scheme Administrators.

All of the conditions precedent to the Creditors' Scheme are incapable of being waived. As at the date of this announcement, condition (a) was satisfied at the Scheme Meeting held on 20 November 2023, condition (b) was satisfied as the sanction order was delivered to the Companies Registry for registration on 12 December 2023, while condition (c) has not been fulfilled.

Reasons and Benefits for the Proposed Restructuring

Since the outbreak of the COVID-19 pandemic in the early period of the year ended 31 December 2020, the operational status and financial positions of both the Group and its customers have been severely impacted, and the Group faced difficulties in collecting trade receivables. In addition, due to the pandemic-related lockdown measures, the construction of the seafood food city project in PRC, which had taken up significant amount of funds of the Group, had come to a halt in the year ended 31 December 2020 which delayed the Group's sales plans in relation to the project. As such, the Group could not recover its investment from the project as planned. At around the same time, the Group had to continue to pay construction fees, trade payables and the principal and interest of financial borrowings to prevent default of contracts, but was struggling to obtain new loans due to its poor financial position. As a result, the Group's cash balance decreased substantially by 81% between the beginning of the year ended 31 December 2020 and the end of the year ended 31 December 2022.

As disclosed in the annual results announcement of the Company for the year ended 31 December 2022, although the revenue generated by the Group amounted to approximately HK\$930.28 million, representing an increase of 0.16% as compared with the year ended 31 December 2021, and an increase of 8.29% as compared with the year ended 31 December 2020, the Group has recorded a loss (net of tax) of approximately HK\$222.40 million, representing an decrease in profit (net of tax) of approximately HK\$45.11 million as compared with the year ended 31 December 2021, and approximately HK\$227.86 million as compared with the year ended 31 December 2020. The significant shift from net profit to net loss since the year ended 31 December 2020 was primarily attributable to the negative impacts of increase in provision for additional penalty relating to default construction payment included in administrative expense, increase in net allowance of expected credit loss, increase in impairment loss on goodwill, and increase in finance costs, etc.

The Group also recorded decrease in net current assets from approximately HK\$370.48 million as at 31 December 2020 to approximately HK\$161.20 million as at 31 December 2022, which was mainly due to, inter alia, (i) significant increase of approximately 194% in other payables and accruals from approximately HK\$84.21 million as at 31 December 2020 to approximately HK\$247.57 million as at 31 December 2022; and (ii) substantial increase of approximately 12% in bank and other borrowings from approximately HK\$393.02 million as at 31 December 2020 to approximately HK\$440.04 million as at 31 December 2022.

Due to the fact that (i) the Group recorded a loss for the year ended 31 December 2022 and the year ended 31 December 2021 of approximately HK\$222.40 million and HK\$177.29 million, respectively; (ii) the Group has a significant amount of approximately HK\$381.23 million outstanding bank and other borrowings to be paid within one year as at 31 December 2022; and (iii) the Group only has a cash or cash equivalent amount of approximately HK\$14.88 million as at 31 December 2022, resulting in the Group's inability to repay its debts that are due or soon to be due, a disclaimer opinion was issued by the Company's auditor as the aforementioned conditions that existed as at 31 December 2022 cast significant doubt on the Group's ability to continue as a going concern.

The Company is a holding company and its financial position is similar to that of the Group's position. The Company's current assets was only approximately HK\$8.3 million as at 31 December 2022, while the rest of assets held by the Company were mostly its interests in the subsidiaries, but the Company's current liabilities was approximately HK\$553.54 million as at 31 December 2022, of which approximately HK\$356.76 million were other borrowings. The current assets are not able to satisfy the obligation arising from the Company's current liabilities. In the circumstances, it is clear that the Company is facing liquidity problems.

Since 2021, the Company has been receiving statutory demands from several creditors and the Company has been demanded to repay overdue indebtedness of HK\$82,598,953.78 as at 31 December 2022. Pursuant to section 178(1)(a) or 327(4) (a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the Company is unable to repay the relevant indebtedness within 21 days from the date of service of the relevant statutory demands, each of the relevant creditors is entitled to present a winding-up petition against the Company at any time at discretion.

As disclosed in the Announcements, a number of winding-up petitions were presented against the Company. At present, the petition by Mr. Zhang Zhiguang remains outstanding and has been adjourned to 11 March 2024. For further details, please refer to the Announcement dated 7 December 2023.

To the best knowledge of the Board, the outstanding indebtedness owed by the Company to all Creditors (including the Company's contingent liability in relation to the corporate guarantee provided by it for the Defaulted Construction Payables in the amount of approximately HK\$86,238,000) amounted to approximately HK\$684 million as at 31 December 2022 and approximately HK\$724 million as at 30 June 2023. As the Company only had a cash balance of approximately HK\$5,000 as at 31 December 2022, the Company is unable to repay the relevant overdue and outstanding indebtedness.

In addition, the Group's operations in the six months ended 30 June 2023 have continued to suffer from the lingering effects of COVID-19, primarily due to the slow recovery of China's economy in early 2023. As of 30 June 2023, the Group's total assets amounted to approximately HK\$1,895.8 million, which represents a decline of approximately 3% from 31 December 2022. The net assets stood at approximately HK\$682 million, indicating approximately a 13% decrease from the end of 2022.

The gross profit for the six months ended 30 June 2023 was approximately HK\$53 million, which is down by approximately 1% from the same period in the previous year. The Group also recorded a net loss of approximately HK\$38.6 million for the six months ended 30 June 2023. Given the potential risks ahead, including, inter alia, possible increases in expected credit losses due to client defaults and potential impairment of right-of-use assets if the economic challenges in the PRC continue, the Group's losses for the year ending 31 December 2023 could be further amplified.

Considering the losses of approximately HK\$38.6 million and approximately HK\$222.4 million for the six months ended 30 June 2023 and the year ended 31 December 2022 respectively, the Group had defaulted in repayments of its debts, including: (i) secured bonds of principal amount of HK\$109,000,000 and interests thereon of approximately HK\$95,319,000; (ii) unsecured bonds of principal amount of HK\$248,414,000 and interests thereon of approximately HK\$65,981,000; (iii) other loans in the principal amount of HK\$17,331,000 and interest thereon of approximately HK\$1,708,000; and (iv) default in settlement for the Defaulted Construction Payables which amounted to approximately HK\$95,493,000 (and in respect of which the Group had received a notice of event of default from the contractor demanding payment). With limited cash reserves of approximately HK\$17.7 million as of 30 June 2023, the Group faces significant repayment challenges.

The Board's decision to proceed with the Disposal, as part of the Creditors' Scheme, was based on a comprehensive assessment of various factors. These factors included (i) the Company's potential consequence of being placed under insolvent liquidation in the event of the non-materialisation of the Proposed Restructuring, (ii) the broader context of the Proposed Restructuring of which the Subscription and the Creditors' Scheme form part, (iii) the difference between the book values of the assets and liabilities of each of the Scheme Subsidiaries and the uncertainty in their expected realisable value, considering the marketability of the underlying assets in a restricted amount of time, (iv) the significant amount of interest (and/or penalty interest) that the Company would incur if it disposed of the Scheme Subsidiaries (or their assets) itself, (v) the Company understanding that, if the proceeds from the Scheme Assets (including the Scheme Subsidiaries) exceeded the total amount of Claims, the Scheme Administrators intend to seek directions from the High Court to return the residue to the Company, and (vi) the Creditors' Scheme would also discharge and release the contingent liability in relation to the corporate guarantee provided by the Company for the Defaulted Construction Payables.

The Board takes the view that the Proposed Restructuring pursuant to the Restructuring Agreement is a strategic and realistic response to the current market challenges which will enable the Group to reach a settlement with its indebtedness in a formal and orderly manner such that all of the Company's indebtedness and liabilities to the Creditors will be released and discharged pursuant to the terms of the Creditors' Scheme, which is in the interests of the Company and the Shareholders as a whole and which represents a good opportunity for the injection of new investment into the Group, without which the Company, as a holding entity and as disclosed above, would be subject to an unsustainable financial situation and would be at risk of insolvent liquidation, and the expected returns to the Shareholders and Scheme Creditors would likely be lower or become minimal. The proceeds from the Subscription after settlement of the Creditors' Scheme and payment of professional fees and expenses for the Proposed Restructuring will be retained as working capital for the Group, which will improve the financial and liquidity position of the Group.

Having considered the above, the Board is of the view that the terms of the Restructuring Agreement are on normal commercial terms that are fair and reasonable and the entering into of the Restructuring Agreement is in the best interest of the Shareholders and the Company as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND THE PROPOSED RESTRUCTURING

Assuming Interests in the Scheme Subsidiaries are disposed of, upon the completion of the Disposal, the Scheme Subsidiaries (and their respective wholly-owned and non-wholly-owned subsidiaries) will cease to be subsidiaries of the Company and their financial results will be deconsolidated from the Group's results.

Upon the completion of the Disposal, it is expected to record an unaudited loss on deconsolidation of the Scheme Subsidiaries in the amount of approximately HK\$997 million to the Company, representing the net asset value of the Scheme Subsidiaries as at 30 June 2023 given the nil or nominal consideration for the Disposal. The actual loss as a result of the Disposal to be recorded by the Group is subject to audit and will be determined as at the date of the completion of the Disposal.

Under the terms of the Creditors' Scheme (details of which are set out in the section headed "Steps involved in the Creditors' Scheme" in this announcement), upon it becoming effective, the Creditors will release the Company of, and the Company will be fully discharged of, all the Claims against the Company, including but not limited to any interest or penalties arising from any debts owed by the Company to the Scheme Creditors. The book value of the Company's liabilities that is expected to be discharged and released upon the Creditors' Scheme becoming effective is approximately HK\$637 million as at 30 June 2023, of which approximately HK\$563 million is owed to external parties which are not subsidiaries of the Group (and does not include the Company's liability in relation to the corporate guarantee provided by it for the Defaulted Construction Payables in the amount of approximately HK\$86,238,000).

The breakdown of the liabilities expected to be discharged and released under the Creditors' Scheme is as follows:

Category of Company's liabilities	Unaudited book value of liability expected to be discharged as at 30 June 2023 (approx. HK\$ million)
Liabilities owed to third parties <i>(Note 1)</i>	563
Liabilities owed to subsidiaries of the Group <i>(Note 2)</i>	74
Contingent liability owed under the corporate guarantee given for the Defaulted Construction Payables	86

Notes:

1. The liabilities includes accrued salary owing to current or former employees, operating liabilities owing to subsidiaries of the Company, operating liabilities owing to third parties, outstanding amounts owed under bonds issued by the Company (and applicable interest thereon), but does not include the contingent liability under the corporate guarantee given for the Defaulted Construction Payables.
2. Namely, owed to BAPP Ethanol Holdings Limited, Shenzhen Qianhai Dahuangyuan, China Phoenix Group Limited* (中國鳳凰集團有限公司), China Shopping Basket Group Limited* (中國菜籃子集團有限公司) and China Lingnan Group Limited* (中國嶺南集團有限公司).

The liabilities related to the outstanding winding-up petition presented by Mr. Zhang Zhiguang is also expected to be fully discharged when the Creditors' Scheme becomes effective.

Further, the Company's contingent liability in relation to the corporate guarantee provided by it for the Defaulted Construction Payables would be fully discharged and released when the Creditors' Scheme becomes effective. As at 30 June 2023, the contingent liabilities of the Company under such corporate guarantee amounted to approximately HK\$86,238,000. Taking into account the Company's corporate guarantee and the book value of the liabilities that is expected to be discharged and released, the total amount of the Company's claims as at 30 June 2023 that the Creditors' Scheme would apply to is estimated to be approximately HK\$724 million (of which approximately HK\$649 million is owed/may be owed to external parties that are not subsidiaries of the Group, including the contingent liability under the guarantee given for the Defaulted Construction Payables).

Assuming the Proposed Restructuring had completed, including but not limited to the completion of the Subscription, the Scheme Share Issue, the Disposal, the Creditors' Scheme between the Company and the Scheme Creditors, and that all of the Scheme Creditors receive Scheme Shares instead of electing to receive cash *in lieu*, the Group is expected to recognise a net loss of approximately HK\$538 million, being the difference between:

- (a) the Company's total external liabilities of approximately HK\$563 million expected to be subject to the Creditors' Scheme as at 30 June 2023; and
- (b) less the sum of (i) the portion of the Company's liabilities that is (a) settled through the Initial Cash Payment of HK\$45 million and (b) capitalised into Scheme Shares in the total amount of approximately HK\$37.8 million, (ii) the total scheme-related expenses of approximately HK\$20 million, and (iii) the total book value of the Scheme Subsidiaries of approximately HK\$997 million as at 30 June 2023.

The calculation of the aforementioned net liabilities has taken into account the release of a Secured Creditor of its Security Interest and its participation in the Creditors' Scheme as a Scheme Creditor whereupon its entire Claim was to be treated as unsecured. The actual gain or loss as a result of the Proposed Restructuring is subject to audit and will be determined as at the date of the completion of the Proposed Restructuring.

Information on the Scheme Subsidiaries

The Scheme Subsidiaries include a group of direct and indirect wholly-owned subsidiaries of the Company in the PRC, being (1) 深圳市前海大荒緣融資租賃有限公司 (Shenzhen Qianhai Dahuangyuan Financing Lease Co., Ltd.*), (2) 臨湘市強盛礦業有限責任公司 (Linxiang Qiangsheng Mining Industry Company Limited*), (3) 連雲港華金華鴻實業有限公司 (Lianyungang Huajin Huahong Industrial Co., Ltd*), and (4) 深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited*), the principal underlying assets of which consist of certain loan receivables, real estate properties and interests in associates, and their respective subsidiaries.

Set out below are the further details of the Scheme Subsidiaries as at the date of this announcement:

(a) Shenzhen Qianhai Dahuangyuan Financing Lease Co., Ltd.

Shenzhen Qianhai Dahuangyuan is a company established in the PRC with limited liability and an indirect subsidiary of the Company.

Shenzhen Qianhai Dahuangyuan primarily engages in financial leasing.

(b) Linxiang Qiangsheng Mining Industry Company Limited

Linxiang Qiangsheng is a company established in the PRC with limited liability and an indirect subsidiary of the Company. As at the date of this announcement, Linxiang Qiangsheng directly owns 51% interest in a non-wholly owned subsidiary.

As at the date of this announcement, Linxiang Qiangsheng and its non-wholly owned subsidiary are primarily engaged in the trading of mineral products, including the flotation selection of non-ferrous metals mines and sales of mineral products.

(c) Lianyungang Huajin Huahong Industrial Co., Ltd

Lianyungang Huajin Huahong is a company established in the PRC with limited liability and a direct subsidiary of the Company. Lianyungang Huajin Huahong directly or indirectly owns interests in three subsidiaries.

As at the date of this announcement, Lianyungang Huajin Huahong and its subsidiaries are primarily engaged in the business of property construction and development business. The properties currently developed by them are located in Lianyungang, Jiangsu province, the PRC.

(d) Shenzhen Meiming Wenshi Trading Limited

Shenzhen Meiming Wenshi is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shenzhen Meiming Wenshi currently directly and indirectly owns interests in 24 subsidiaries, two associated companies and other financial assets.

As at the date of this announcement, Shenzhen Meiming Wenshi and its subsidiaries are primarily engaged in the sale and distribution of wine and liquor and food trading in the PRC.

Given the businesses carried out by the Scheme Subsidiaries as disclosed above, the Disposal pursuant to Proposed Restructuring is expected to include core and non-core businesses of the Group, namely: (i) financial leasing, (ii) trading of mineral products, (iii) property construction and development, and (iv) distribution of wine and liquor and food trading. The Disposal is not expected to involve the entirety of the Group's core business.

The total book value of the net assets of the Scheme Subsidiaries is approximately HK\$997 million as at 30 June 2023.

As at 31 December 2021 and 31 December 2022, the revenues and net profits (both before and after taxation) attributable to the Scheme Subsidiaries, which were prepared in accordance with the Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants were approximately as follows:

	As at 31 December 2021 HK\$'000	As at 31 December 2022 HK\$'000
<i>Shenzhen Qianhai Dahuangyuan</i>		
Revenue	20,473	16,128
Net profits/(loss) before taxation and extraordinary items	(76,880)	4,930
Net profits/(loss) after taxation and extraordinary items	(76,884)	5,122
<i>Linxiang Qiangsheng</i>		
Revenue	237,107	217,493
Net profits/(loss) before taxation and extraordinary items	21,382	6,354
Net profits/(loss) after taxation and extraordinary items	21,382	6,354
<i>Lianyungang Huajin Huahong</i>		
Revenue	0	0
Net profits/(loss) before taxation and extraordinary items	(35,944)	(5,210)
Net profits/(loss) after taxation and extraordinary items	(35,944)	(5,210)
<i>Shenzhen Meiming Wenshi</i>		
Revenue	253,946	342,611
Net profits/(loss) before taxation and extraordinary items	(1,839)	(25,716)
Net profits/(loss) after taxation and extraordinary items	(2,401)	(25,232)

Business of the Retained Group

As at the date of this announcement, the Group is engaged in the wholesale trading and distribution of food products, including wine and liquor, fruit, vegetables and grains, raw beef and live cattle (the “**Existing Food Business**”).

Following the Proposed Restructuring, the Retained Group’s business will be principally comprised of the (i) wholesale trading and distribution of food such as vegetables, grains and raw beef (the “**Remaining Food Business**”) and (ii) leasing and sub-leasing of commercial and other properties in Hong Kong and the PRC (the “**Rental Business**”). The Retained Group may also have limited trading in mineral products, pursuant to a framework sale and purchase agreement for manganese ore entered into between a member of the Retained Group and a supplier. The Retained Group will continue to evaluate business opportunities in the mineral products trading segment following the Proposed Restructuring.

The business model of the Retained Group is as follows:

The Remaining Food Business

The Retained Group will procure agricultural and food products from manufacturers and agricultural suppliers and for sale/export to wholesalers in the PRC. Consistent with the Group’s current practices, the Retained Group will also outsource the necessary packaging process to third party providers. The Retained Group’s food products will be sold primarily to food products wholesalers or other distributors, who will subsequently resell the products to end consumers (including supermarkets and wet markets). As at the date of this announcement, the wholesalers that would be retained in the Retained Group’s distribution network for the food products cover South, Central and Southwest China.

The Rental Business

The commercial properties and logistic facilities of the Retained Group are located in Hong Kong and Shenzhen in the PRC. The Rental Business is one of the Retained Group’s core business, and the Retained Group has been, and expects to continue to, actively explore and invest in further investment properties.

It is expected that the designated team in the Retained Group would evaluate suitable opportunities to acquire commercial properties and logistic facilities or rent land lots in Hong Kong and the PRC with business potential. Suitable properties (or land lots) are then acquired (or rent) by the Retained Group based on the results of market research and valuation. For properties that are acquired by the Retained Group, once they are acquired, the Retained Group would enter into commercial leases with tenants including manufacturers, retailers, corporations and other individuals. For land lots that are rented by the Retained Group, it would further develop the land (including designing and constructing new premises on the land, such as logistics facilities) and enter into sub-leases with sub-tenants including manufacturers, retailers, corporations and other individuals.

The Retained Group will retain its existing specialised teams on the operations and management of investment properties. The Retained Group may also engage property management providers for management and maintenance of the properties as it sees fit.

Financial information of the Retained Group

Consolidated financial information of the Retained Group

	For the year ended 31 December 2022	For the six months ended 30 June 2023
	<i>HK\$ (million)</i>	<i>HK\$ (million)</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>
	(audited)	(unaudited)
<i>Profit and Loss</i>		
Revenue	223.91	122.60
Gross profit	48.88	31.22
Net profit/(loss) before taxation	(194.04)	(29.23)
Net profit/(loss) after taxation	<u>(192.84)</u>	<u>(29.25)</u>

	As at 31 December 2022 <i>HK\$ (million)</i> <i>(Note 1)</i> (audited)	As at 30 June 2023 <i>HK\$ (million)</i> <i>(Note 2)</i> (unaudited)
<i>Assets and Liabilities</i>		
Total asset	543.81	512.23
Total liabilities	(811.47)	(828.38)
Net liabilities	<u>(267.66)</u>	<u>(316.14)</u>

Breakdown by business segments of the Retained Group *(Note 3)*

	For the year ended 31 December 2022 <i>HK\$'000</i> <i>(Note 1)</i> (audited)	For the six months ended 30 June 2023 <i>HK\$'000</i> <i>(Note 2)</i> (unaudited)
Remaining Food Business		
<i>Profit and Loss</i>		
Revenue	149,741	94,325
Net profits/(loss) before taxation and extraordinary items	<u>(7,056)</u>	<u>(2,264)</u>

Rental Business

<i>Profit and Loss</i>		
Revenue	74,167	28,275
Net profits/(loss) before taxation and extraordinary items	<u>(30,871)</u>	<u>10,296</u>

	As at	As at
	31 December	30 June
	2022	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>
	(audited)	(unaudited)

Remaining Food Business

Assets and Liabilities

Total assets	44,561	31,647
Total liabilities	(58,506)	(45,223)
Net assets/(liabilities)	<u>(13,945)</u>	<u>(13,576)</u>

Rental Business

Assets and Liabilities

Total assets	477,484	452,153
Total liabilities	(176,733)	(144,270)
Net assets/(liabilities)	<u>300,751</u>	<u>307,883</u>

Notes:

1. Conversion of Renminbi into Hong Kong Dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.17 (for illustration only).
2. Conversion of Renminbi into Hong Kong Dollars is based on the approximate exchange rate of RMB1.00 to HK\$1.13 (for illustration only).
3. For the avoidance of doubt, the interest income, finance costs, as well as head office and corporate expenses of the Group, amounting to HK\$156.11 million for the year ended 31 December 2022 and HK\$37.26 million for the six months ended 30 June 2023, have not been included in the segmental breakdown above. Additionally, the segmental breakdown does not encompass the figures of the holding companies and other companies that do not fall into these two segments. This impacts (i) total assets of HK\$544 million, total liabilities of HK\$811 million, and net liabilities of HK\$268 million for the year ended 31 December 2022; and (ii) total assets of HK\$512 million, total liabilities of HK\$828 million, and net liabilities of HK\$316 million for the six months ended 30 June 2023.

Future plan of the Retained Group

The overall objective of the Retained Group in the two years following the Proposed Restructuring is to focus on its core businesses (i.e. Remaining Food Business and Rental Business), maintain a stable cash flow and gradually realise profitability.

The Remaining Food Business

In the next two years following the Proposed Restructuring, the Retained Group intends to further develop the Remaining Food Business with a continued focus on the trading of rice, corn and raw beef which has established upstream and downstream advantages. The Retained Group will strive to expand its existing customer base by reaching out to more customers in South, Central and Southwest China and aim to achieve an annual increase in turnover of no less than 15% to 20%.

The Rental Business

On the Rental Business, in light of the favourable return on investment from investment properties in Hong Kong, the Retained Group will continue to identify land and properties with investment potential in the foreseeable future. The Retained Group will also closely monitor the property market in the PRC and expand the Rental Business when appropriate, depending on the market development. In the long term, the Retained Group intends to build two to three logistics warehouses each with an area of not less than 200,000 square feet in Hong Kong, with funding from suitable financing plans to be formulated by the Retained Group.

Mineral Products Trading Business

The Retained Group will actively explore and evaluate business opportunities in the mineral products trading industry.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY BEFORE AND AFTER THE PROPOSED RESTRUCTURING

Reference is made to the Announcement dated 23 May 2023 issued by the Company, the Company would like to clarify the anticipated shareholding structure of the Company following the Proposed Restructuring as follows.

For illustration purposes only, the table below sets out the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after completion of the Proposed Restructuring, assuming no other changes to the issued share capital of the Company from the date of this announcement up to the date of completion of the Proposed Restructuring:

Shareholders	As at the date of this announcement		Immediately after completion of the Proposed Restructuring	
	No. of Shares	Approx. %	No. of Shares	Approx. %
Directors				
Jiang Jiancheng	27,868,000	0.44%	27,868,000	0.37%
Ke Xionghan	10,120,000	0.16%	10,120,000	0.13%
Chen Zhifeng	900,000	0.01%	900,000	0.01%
Yang Yunguang	900,000	0.01%	900,000	0.01%
Ho Wing Yan ^(Note 1)	900,000	0.01%	900,000	0.01%
Li Dawei	40,000	0.00%	40,000	0.00%
Substantial Shareholders				
Beidahuang Business Group (HK) International Trade Co., Limited ^(Note 2)	660,000,000	10.42%	660,000,000	8.73%
Investor and/or its nominee(s) ^(Note 3)	–	0.00%	850,000,000	11.24%
Scheme Creditors ^(Note 4)				
Scheme Company	–	0.00%	377,879,793	5.00%
Public Shareholders				
Mr. Jiang Jianjun ^(Note 5)	459,973,182	7.26%	459,973,182	6.08%
Chen Jiayi ^(Note 6)	33,440,000	0.53%	33,440,000	0.44%
Other public Shareholders ^(Note 7)	5,138,170,901	81.14%	5,138,170,901	67.96%
Total	6,332,312,083	100.00%	7,560,191,876	100.00%

Notes:

- On 13 June 2023, 900,000 Shares were allotted and issued by the Company to Ms. Ho Wing Yan, a non-executive Director, pursuant to the exercise of the share options by Ms. Ho Wing Yan under the Share Option Scheme.
- Beidahuang Business Group (HK) International Trade Co., Limited will cease to be a substantial shareholder (as defined in the Listing Rules) of the Company and will no longer be a connected person of the Company, and Shares held by it will be counted towards the public float of the Company, immediately following completion of the Proposed Restructuring.

3. The Investor is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of China Qujiang Fund, a sub-fund of CIS Fund, an open-ended fund company incorporated in Hong Kong. CIS Securities Asset Management, being the investment manager of CIS Fund and designated sub-funds (including China Qujiang Fund), shall be entitled to exercise, or refrain from the exercise of, any voting or other rights attaching to the Subscription Shares following Completion as CIS Securities Asset Management shall in its absolute discretion think fit, subject to any instructions given to CIS Securities Asset Management by the directors of CIS Fund.
4. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries and based on the information available, all of the Scheme Creditors who submitted notice of claim for voting purpose are Independent Third Parties, including five Creditors which are subsidiaries directly or indirectly held by the Company, and eight Creditors who are current or former employees of the Company.
5. These 459,973,182 Shares comprise 456,173,182 Shares beneficially owned by Mr. Jiang Jianjun, and 3,800,000 Shares beneficially owned by his spouse Ms. Li Zhuoxun. Mr. Jiang Jianjun was a former Director who resigned as an executive Director with effect from 14 June 2023.
6. These 33,440,000 Shares are beneficially owned by Mr. Chen Jiayi, who is the father of Mr. Chen Chen, an executive Director. Mr. Chen Jiayi is also a holder of Class D Shares in CIS Fund, which sub-fund wholly owns the Investor, details of which are set out in “*Information on the Investor, China Qujiang Fund and CIS Securities Asset Management*” below.
7. On 13 June 2023, 1,696,000 Shares were allotted and issued by the Company to employees of the Group pursuant to the exercise of the share options by such employees under the Share Option Scheme.

LISTING RULES IMPLICATION

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 Subscription Shares and the Scheme Shares on the Stock Exchange.

As at the date of this announcement, Mr. Chen Jiayi, an investor in China Qujiang Fund, which in turn wholly owns the Investor, holds 33,440,000 Shares, representing approximately 0.53% of the issued share capital of the Company and is the father of Mr. Chen Chen, an executive Director. Mr. Chen Guofeng, an investor in China Qujiang Fund, which in turn wholly owns the Investor, is the cousin of Mr. Chen Chen. As such, Mr. Chen Jiayi is an associate of Mr. Chen Chen and hence a connected person of the Company, and Mr. Chen Guofeng is a deemed connected person of the Company under Chapter 14A of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal as calculated under the Rule 14.07 of the Listing Rules, when aggregated, is 75% or more, the Disposal constitutes a very substantial disposal under Chapter 14 of the Listing Rules. Although the interest held by Mr. Chen Jiayi and Mr. Chen Guofeng in China Qujiang Fund in aggregate is 49.41% and less than 50% (and hence the Investor is not a connected person of the Company), the Board considered that the Subscription and the Disposal constitute connected transactions under Chapter 14A of the Listing Rules. Therefore, the Subscription and the Disposal are subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the entering into of the Term Sheet and the Restructuring Agreement, Company has not conducted any fund raising activities by way of issuing equity securities in the 12-month period prior to the date of this announcement.

INFORMATION ON THE INVESTOR, CHINA QUJIANG FUND AND CIS SECURITIES ASSET MANAGEMENT

The Investor is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of China Qujiang Fund, a sub-fund of CIS Fund, which is in turn an open-ended fund company incorporated in Hong Kong.

China Qujiang Fund has an investment fund mandate to invest in equities, bonds, debentures, currencies, financial and/or other instruments issued by private and/or listed companies in Hong Kong or other countries and/or private equity funds.

Pursuant to the undertakings given by each of the persons named below, CIS Securities Asset Management, the investment manager of designated sub-funds of CIS Fund (including China Qujiang Fund) and the securities broker for Class D Shares (being the relevant participating shares in respect of the assets and liabilities of China Qujiang Fund), is expected to hold on the date of the EGM (following the issue of capital call notices to each of the persons named below) 8,500 Class D Shares in CIS Fund on behalf of the following:

1. Mr. Chen Jiayi as to 3,700 Class D Shares in respect of an investment of HK\$37,000,000, representing approximately 43.53% of the entire investment amount in China Qujiang Fund;

2. Mr. Chen Guofeng as to 500 Class D Shares in respect of an investment of HK\$5,000,000, representing approximately 5.88% of the entire investment amount in China Qujiang Fund;
3. Mr. He Meizhi as to 3,300 Class D Shares in respect of an investment of HK\$33,000,000, representing approximately 38.82% of the entire investment amount in China Qujiang Fund; and
4. China Angel Investment Management as to 1,000 Class D Shares in respect of an investment of HK\$10,000,000, representing approximately 11.76% of the entire investment amount in China Qujiang Fund.

China Angel Investment Management is wholly-owned by Mr. Jiang Qi Hang.

CIS Securities Asset Management is a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities and is a wholly-owned subsidiary of CIS Group Limited.

CIS Securities Asset Management shall be entitled to exercise, or refrain from the exercise of, any voting or other rights attaching to the Subscription Shares following Completion as CIS Securities Asset Management shall in its absolute discretion think fit, subject to any instructions given to CIS Securities Asset Management by the directors of CIS Fund.

As at the date of this announcement, Mr. Chen Jiayi, an investor in China Qujiang Fund, which in turn wholly owns the Investor, holds 33,440,000 Shares, representing approximately 0.53% of the issued share capital of the Company and is the father of Mr. Chen Chen, an executive Director. Mr. Chen Guofeng, an investor in China Qujiang Fund, which in turn wholly owns the Investor, is the cousin of Mr. Chen Chen. As such, Mr. Chen Jiayi is a connected person of the Company and Mr. Chen Guofeng is a deemed connected person of the Company under Chapter 14A of the Listing Rules.

Although the interest held by Mr. Chen Jiayi and Mr. Chen Guofeng in China Qujiang Fund in aggregate is 49.41% and therefore the Investor is not (i) an affiliate of either Mr. Chen Jiayi or Mr. Chen Guofeng, or (ii) a connected person of the Company, the Board considered that the Subscription and the Disposal constitute connected transactions under Chapter 14A of the Listing Rules.

Although Mr. Chen Chen has no direct interest in the Investor or any of its subsidiaries, or associates within the meanings prescribed by the Listing Rules, given the interest of his father in the Investor and as a Shareholder and the interest of his cousin in the Investor, Mr. Chen Chen will abstain from voting on all relevant Board resolutions concerning the Restructuring Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, the Investor and its ultimate beneficial owners, CIS Fund, CIS Securities Asset Management and its ultimate beneficial owners are Independent Third Parties as at the date of this announcement.

INFORMATION ON THE GROUP

The Group is currently principally engaged in the trading of food products business, leasing of logistic facilities in Hong Kong and office facilities in the PRC, financial leasing, trading of mineral products, construction and development of properties, and distribution of wine and liquor.

INFORMATION ON THE SCHEME COMPANY AND THE SCHEME ADMINISTRATORS

As at the date of this announcement, the Scheme Company has not been incorporated. The Scheme Company will be a special purpose vehicle to be incorporated in Hong Kong and will be entirely held and controlled by the Scheme Administrators to hold and dispose of the Scheme Assets, and Scheme Shares (on trust for the benefit of Scheme Creditors)(if applicable) pursuant to the terms of the Creditors' Scheme.

The Scheme Administrators are Messrs. Chan Man Hoi (Ivan) and Chan Chi Chung (Adrian) of Deloitte Touche Tohmatsu, or their successors to be jointly and severally appointed as scheme administrators pursuant to the terms of the Creditors' Scheme.

The Scheme Administrators' role under the Creditors' Scheme is to exercise such rights and powers as are necessary and desirable to give effect to the provisions of the Creditors' Scheme and matters incidental thereto, and shall, without limitation, also be vested with powers equivalent to those vested in a liquidator in a winding-up of a company by the High Court, save that in the Creditors' Scheme, any power which would be exercisable by a liquidator only with the sanction of the High Court or of a committee of inspection shall only be exercisable by Scheme Administrators with the sanction of the Scheme Creditors' Committee.

The Scheme Administrators' main responsibility under the Creditors' Scheme is to act in the best interests of the Scheme Creditors at all times and use their best endeavors to realise the Scheme Assets and Scheme Shares at the highest value and to distribute cash dividends and Scheme Shares to the Scheme Creditors pursuant to the Scheme.

As at the date of this announcement, the Creditor's Scheme has not become effective, and the Scheme Administrators have not identified any potential purchasers nor commenced any discussion for the disposal of the Scheme Assets.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all the independent non-executive Directors) has been established to advise the Independent Shareholders in relation to, among other things, the Subscription, the Disposal and the transactions contemplated thereunder. The Company will appoint the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. A further announcement will be made by the Company in relation to the appointment of the Independent Financial Adviser.

GENERAL

The EGM will be convened and held for the Relevant Shareholders to consider and, if thought fit, approve, among other things, the Restructuring Agreement (including the issue of Subscription Shares under Specific Mandate), the issue of Scheme Shares under Specific Mandate, the Disposal, and the transactions contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution(s) will be taken by way of poll at the EGM.

Any Shareholder who is interested in the transactions contemplated under the Restructuring Agreement shall abstain from voting on the relevant resolution(s) at the EGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder is interested in the Scheme Share Issue and the transactions contemplated thereunder and will be required to abstain from voting on the resolution(s) to approve the Scheme Share Issue and the transactions contemplated thereunder at the EGM.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save for Mr. Chen Jiayi, none of the Shareholders has a material interest in the transactions contemplated under the Restructuring Agreement as at the date of this announcement. Accordingly, save for Mr. Chen Jiayi and his associates, no Shareholder is required to abstain from voting on the relevant resolution(s).

A circular containing, among other things, (i) further details of the Restructuring Agreement (including the issue of Subscription Shares under Specific Mandate), the issue of Scheme Shares under Specific Mandate, the Disposal, and the transactions contemplated thereunder, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, (iv) a notice convening the EGM, and (v) other information as required under the Listing Rules, will be despatched by the Company to the Shareholders on or before 19 February 2024.

WARNING

Shareholders and potential investors of the Company should be aware that the Proposed Restructuring (including the Subscription, the Scheme Share Issue, the Disposal and the Creditors' Scheme) are subject to certain conditions being fulfilled or waived, as applicable, and thus the Proposed Restructuring may or may not be implemented or proceed to Completion. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Adjudicator”	such person with experience in the adjudication of creditors' claims in a liquidation as the Scheme Administrators shall nominate in their absolute discretion
“Admitted Claims”	the Claims of the Scheme Creditors against the Company which have been admitted by the Scheme Administrators or the Adjudicator in accordance with the Creditors' Scheme, the amount of which shall not include any interest accrued on the principal owed by the Company

“Affiliate(s)”	in relation to a body corporate, any subsidiary(ies) or holding company(ies) of that body corporate, and any subsidiary(ies) of any such holding company for the time being, including companies incorporated or established outside Hong Kong
“Applicable Laws”	with respect to any person, any laws, regulations, rules, measures, guidelines, policies, treaties, judgments, determination, orders or notices of any Government Authority or stock exchange that is applicable to such person
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in Hong Kong are open for normal banking business (other than a Saturday, a Sunday or a public holiday)
“Cash Dividend”	the amount of cash available to be paid to the Scheme Creditors as dividend from all funds of the scheme after deducting any Preferential Claims and the Scheme Costs which amount shall be paid in full and final settlement of the Admitted Claims
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“China Angel Investment Management”	China Angel Investment Management Limited, a company incorporated in the British Virgin Islands with limited liability
“China Qujiang Fund”	A sub-fund of CIS Fund, which wholly owns the Investor
“CIS Fund”	CIS Fund OFC, an open-ended fund company incorporated in Hong Kong under Part IVA of the SFO

“CIS Securities Asset Management”	CIS Securities Asset Management Limited, a company incorporated in Hong Kong with limited liability
“Claim(s)”	any unsecured debt, liability or obligation of the Company as at the date on which the Creditors’ Scheme becomes unconditional and comes into effect, whether certain or contingent, whether present, future or prospective, whether liquidated or unliquidated, whether arising at common law, in equity or by statute, in Hong Kong, the PRC or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money’s worth, any liability in contract or tort, any liability arising out of any legal claim, whether certain or contingent, which would be provable in a winding-up of the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if an order for the winding-up of the Company were made on the date on which the Creditors’ Scheme becomes unconditional and comes into effect
“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 Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time
“Completion”	the completion of the Subscription
“Conditions Precedent”	the conditions precedent to the Subscription, the details of which are set out in the section headed “ <i>Conditions Precedent of the Subscription</i> ” in this announcement

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Court Order”	the order issued by the High Court for the purpose of sanctioning the Creditors’ Scheme
“Creditors”	all persons having Claims against the Company, other than the Preferential Creditors (to the extent of their Preferential Claims) and the Secured Creditors (to the extent of their Secured Claims)
“Creditors’ Scheme”	the creditors’ scheme of arrangement the terms of which is set out in the Scheme Document, proposed by the Company to its Scheme Creditors pursuant to the Companies Ordinance with, or subject to, any modification, addition or conditions approved or imposed by the High Court
“deemed connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Defaulted Construction Payables”	the default in settlement of construction payables by Lianyungang Huajin Huahong and additional penalties thereon in respect of the construction work carried out by a third party in Lianyungang, Jiangsu province, the PRC which the Group had received a notice from the contractor of the event of default and demand for payment
“Disposal”	the proposed disposal of the Interests in Scheme Subsidiaries to the Scheme Company for the benefit of the Scheme Creditors pursuant to the Creditors’ Scheme
“Effective Date”	the date on which the Creditors’ Scheme becomes unconditional and comes into effect, being the date on which all of the conditions set out in Clause 1.9 of the Creditors’ Scheme are satisfied

“EGM”	the extraordinary general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, among other matters, the Restructuring Agreement, the Subscription, the grant of the Specific Mandate, the Scheme Share Issue, the Disposal, and the transactions contemplated thereunder
“Enlarged Issued Share Capital”	the total issued Shares after the completion of the Proposed Restructuring as enlarged by the allotment and issue of the Subscription Shares and the Scheme Shares
“Existing Food Business”	has the meaning as defined under the section headed “ <i>Business of the Retained Group</i> ” in this announcement
“Government Authority”	any national, provincial, municipal or local government, administrative or regulatory body or department, court or judicial bodies, tribunal, arbitrator or any body that exercises the function of a regulator, including but not limited to those in Hong Kong and the Cayman Islands
“Group”	the Company and its subsidiaries
“High Court”	the High Court of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of, among others, the Subscription and the Disposal and the transactions contemplated thereunder
“Independent Financial Adviser”	an independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of, among others, the Subscription and the Disposal and the transactions contemplated thereunder

“Independent Third Parties”	independent third parties who are not connected persons (as defined under the Listing Rules) of the Company and are independent of and not connected with the connected persons of the Company
“Independent Shareholders”	Shareholders who are neither (i) interested in or involved in, the Restructuring Agreement, the Subscription, the grant of the Specific Mandate, the Scheme Share Issue, the Disposal, and the transactions contemplated thereunder nor (ii) required to abstain from voting at the EGM, which are as at the date of this announcement, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, Shareholders other than Mr. Chen Jiayi and his associates
“Initial Cash Payment”	a cash payment of HK\$45 million, which would be derived from the Subscription Proceeds
“Interests in Scheme Subsidiaries”	interests in or assets of the Scheme Subsidiaries to be transferred to the Scheme Company for the benefit of the Scheme Creditors pursuant to the Creditors’ Scheme
“Investor”	China Dynamic (Hong Kong) Limited 中泰(香港)有限公司, a company incorporated in Hong Kong with limited liability
“Last Trading Date”	29 March 2023, being the date of the Term Sheet
“Lianyungang Huajin Huahong”	連雲港華金華鴻實業有限公司 (Lianyungang Huajin Huahong Industrial Co., Ltd*), a company established in the PRC and a Scheme Subsidiary
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

“Linxiang Qiangsheng”	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 and a Scheme Subsidiary
“Loan for Restructuring Costs”	has the meaning as defined under the section headed “ <i>Restructuring Costs and Loan for Restructuring Costs</i> ” in this announcement
“Long Stop Date”	31 May 2024 (or any extended date as mutually agreed by the Investor and the Company in writing)
“Mr. Jiang Jianjun”	Mr. Jiang Jianjun, a former Director who has resigned with effect from 14 June 2023
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macao Special Administrative Region and Taiwan
“Preferential Claim(s)”	any Claim(s) against the Company which would, if the Company were wound up on the date on which the Creditors’ Scheme becomes unconditional and comes into effect, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be payable out of the assets of the Company pursuant to section 265 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in priority to the general unsecured debts of the Company
“Preferential Creditor(s)”	creditors to the extent to which they have Preferential Claims against the Company
“Proposed Restructuring”	the proposed restructuring of the Group, including, but not limited to (i) the Subscription, (ii) the Scheme Share Issue, (iii) the Disposal, and (iv) the Creditors’ Scheme between the Company and the Scheme Creditors

“Relevant Shareholders”	means, (i) in respect of the resolutions to be passed at the EGM in connection with the Subscription and the Disposal, the Independent Shareholders; and (ii) in respect of other resolutions to be passed at the EGM, the Shareholders
“Remaining Food Business”	has the meaning as defined under the section headed “ <i>Business of the Retained Group</i> ” in this announcement
“Rental Business”	has the meaning as defined under the section headed “ <i>Business of the Retained Group</i> ” in this announcement
“Restructuring Agreement”	the agreement dated 25 January 2024 entered into between the Company and the Investor in relation to the Proposed Restructuring
“Restructuring Costs”	an amount of up to HK\$20,000,000, being the professional fees incurred or to be incurred by the Company in connection with the Proposed Restructuring
“Retained Group”	the Company and the Retained Subsidiaries
“Retained Subsidiaries”	the subsidiaries of the Company other than the Scheme Subsidiaries and their respective subsidiaries
“Sanction Hearing”	the hearing at which the High Court considered sanctioning the Creditors’ Scheme
“Scheme Administrators”	the persons to be elected and appointed as the administrators of the Creditors’ Scheme in accordance with the terms of the Creditors’ Scheme

“Scheme Assets”	the assets to be received by or transferred to the Scheme Company from time to time, subject to the payment of the Preferential Claims and Scheme Costs, for the benefit of the Scheme Creditors under the Creditors’ Scheme, which shall comprise of the following and will be available for distribution to the Scheme Creditors subject to the Creditors’ Scheme in discharge of their Admitted Claims: (i) the Initial Cash Payment; (ii) the proceeds from the disposal of the Interests in Scheme Subsidiaries; and (iii) any claims or rights to claim of the Company against Mr. Jiang Jianjun in respect of loss or damages to the assets of the Company and/or Group and the proceeds resulting from the realisation of such rights or claims
“Scheme Company”	a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the Scheme Administrators
“Scheme Costs”	costs, charges, expenses and disbursements properly incurred in connection with the administration and implementation of the Creditors’ Scheme including the fees and remuneration of the Scheme Administrators and the Adjudicator
“Scheme Creditors”	all Creditors with Admitted Claims
“Scheme Creditors’ Committee”	a committee of the Scheme Creditors to be formed pursuant to the Creditors’ Scheme
“Scheme Document”	the documentation filed at the High Court relating to the Creditors’ Scheme and all other documents necessary to implement the Creditors’ Scheme
“Scheme Meeting(s)”	the meeting(s) of the Creditors convened and held at the directions of the High Court for the purpose of considering and, if thought fit, approving the Creditors’ Scheme

“Scheme Share Issue”	the proposed issue of Scheme Shares at an issue price of HK\$0.10 per Scheme Share as settlement of debt owed by the Company to the Scheme Creditors in the aggregate amount of HK\$37,787,979.30, further details of which are set out in the sections headed “ <i>Steps involved in the Creditors’ Scheme</i> ” and “ <i>The Scheme Share Issue</i> ” in this announcement
“Scheme Share(s)”	377,879,793 Shares to be issued under the Scheme Share Issue, which shall rank <i>pari passu</i> in all respects with the then existing Shares in issue on the date of allotment and issue of the Scheme Shares
“Scheme Subsidiaries”	a group of wholly-owned subsidiaries of the Company in the PRC, being (1) Shenzhen Qianhai Dahuangyuan, (2) Linxiang Qiangsheng, (3) Lianyungang Huajin Huahong, and (4) Shenzhen Meiming Wenshi, which underlying major assets consist of certain loan receivables, real estate properties and interests in associates, and their respective subsidiaries
“Secured Claim(s)”	Creditors’ claim(s) that is/are secured by Security Interests
“Secured Creditor(s)”	Creditors whose debts are secured upon any property or assets of the Company (whether or not such debts are also secured on any property or assets of any other person)
“Security Interest(s)”	any mortgage, charge, assignment, hire-purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement, pledge, lien, hypothecation, encumbrance or security interest of whatsoever kind or any other agreement having the effect of conferring security provided by the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

“Share Option Scheme”	the share option scheme adopted by the Company pursuant to a resolution passed at the Shareholders’ meeting held on 9 June 2017
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Meiming Wenshi”	深圳市美名問世商貿有限公司 (Shenzhen Meiming Wenshi Trading Limited), a company established in the PRC and a Scheme Subsidiary
“Shenzhen Qianhai Dahuangyuan”	深圳市前海大荒緣融資租賃有限公司 (Shenzhen Qianhai Dahuangyuan Financing Lease Co., Ltd*), a company established in the PRC and a Scheme Subsidiary
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the EGM for the allotment and issue of the Subscription Shares and the Scheme Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the proposed subscription of the Subscription Shares by the Investor pursuant to the Restructuring Agreement
“Subscription Price”	the subscription price under the Subscription, being HK\$0.10 per Subscription Share
“Subscription Proceeds”	HK\$85,000,000, being the cash proceeds from the issue of the Subscription Shares
“Subscription Share(s)”	850,000,000 Shares to be subscribed by the Investor under the Subscription
“Term Sheet”	the legally binding term sheet regarding Proposed Restructuring of the Group dated 29 March 2023 entered into between the Company and the Investor

“Total Subscription Price”	HK\$85,000,000, being the aggregate Subscription Price for the Subscription Shares to be paid or satisfied in accordance with the Restructuring Agreement
“Unadmitted Claims”	any Claims which are not Admitted Claims
“%”	per cent.

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

Hong Kong, 25 January 2024

As at the date of this announcement, the Executive Directors are Mr. Jiang Jiancheng (Chairman), Mr. Ke Xionghan and Mr. Chen Chen, the Non-executive Directors are Mr. Zhao Wanjiang (Vice-chairman), Ms. Ho Wing Yan and Mr. Li Dawei, and the Independent Non-executive Directors are Mr. Chong Cha Hwa, Mr. Yang Yunguang and Mr. Chen Zhifeng.