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**China Beidahuang Industry Group Holdings Limited**  
**中國北大荒產業集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 00039)**

**DISCLOSEABLE TRANSACTION –  
DISPOSAL OF EQUITY INTEREST IN SUBSIDIARY  
AND  
NON-COMPLIANCE WITH THE LISTING RULES**

**DISCLOSEABLE TRANSACTION**

The Board announces that on 8 November 2022, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Disposal Interest for a total cash consideration of RMB550,000 (HK\$605,000).

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constituted a discloseable transaction of the Company and was subject to the reporting and announcement requirements under the Listing Rules.

## **NON-COMPLIANCE WITH THE LISTING RULES**

The Company has not fulfilled the reporting and announcement requirements under the Listing Rules in relation to the Disposal as soon as the Disposal Agreement was entered into between the Purchaser and the Vendor and therefore has resulted in non-compliance with the Listing Rules.

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## **THE DISPOSAL AGREEMENT**

The principal terms of the Disposal Agreement are as follows:

### **Date**

8 November 2022

### **Parties**

- (1) The Vendor; and
- (2) The Purchaser.

The Vendor is an indirect wholly-owned subsidiary of the Company, and a company established in the PRC with limited liability whose principal business activities include enterprise investment, project investment, enterprise management consultancy and business information consultancy.

The Purchaser is a PRC national and merchant having experience in property investment, leasing and management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is a third party independent of the Company and its connected persons, and there has not been any material loan arrangement in the twelve months immediately preceding and as at the time of the Disposal between (a) any counterparty of the Disposal, any of its directors or legal representatives and/or any ultimate beneficial owner(s); and (b) the Company, any connected person at the issuer's level and/or any connected person of the Company's subsidiaries involved in the Disposal.

## **Subject matter**

The Disposal Interest comprises the 55% equity interest in Target Company.

## **Completion**

Completion is not subject to any condition precedent, and has taken place on 25 November 2022. At Completion of the Disposal, the Purchaser had the right to acquire, or nominate any entity to acquire, the Disposal Interest from the Vendor. Following Completion, all the members of the Target Group had ceased to be subsidiaries of the Company.

## **Consideration**

The consideration for the Disposal amounts to RMB550,000 (HK\$605,000), which was already paid by the Purchaser to the Vendor in cash within one month after the date of signing of the Disposal Agreement.

## **INFORMATION ON THE TARGET GROUP**

The Target Company is a company established in the PRC with limited liability. Prior to the Disposal, (a) the registered capital of the Target Company was RMB1,000,000 which was owned as to 55% (or RMB550,000) by the Vendor and as to the remaining 45% (or RMB450,000) by Beijing Mumianhui Investment Management Co., Ltd. (北京木棉滙投資管理有限公司) (the “**JV Partner**”); and (b) the Target Group was principally engaged in the renting of office premises and facilities situated at Beijing and Shanghai, the PRC. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the JV Partner and its ultimate beneficial owner(s) is a third party independent of the Company and its connected persons.

Based on the unaudited completion accounts of the Target Group prepared up to 31 October 2022 (being the latest practicable date prior to the date of the Disposal) in accordance with the Hong Kong Financial Reporting Standard, as at 31 October 2022, the unaudited consolidated total assets and net liabilities of the Target Group amounted to RMB394,707,000 (HK\$434,296,000) and RMB19,187,000 (HK\$21,111,000), respectively. For the financial year ended 31 December 2021, the Target Group recorded audited revenue, gross profit and loss (before and after tax) of RMB153,978,000 (HK\$185,913,000), RMB60,408,000 (HK\$72,936,000) and RMB4,906,000 (HK\$5,924,000), respectively. For the financial period ended 31 December 2020, the Target Group recorded audited revenue, gross profit and loss (before and after tax) of RMB163,769,000 (HK\$184,109,000), RMB51,550,000 (HK\$57,953,000) and RMB4,040,000 (HK\$4,542,000), respectively. For the purposes of this paragraph, the following exchange rates for RMB1.00 were adopted, namely, HK\$1.1003 (as at 31 October 2022), HK\$1.2074 (average for the year 2021) and HK\$1.1242 (average for the year 2020).

## **REASONS FOR THE DISPOSAL**

The Company is an investment holding company and its subsidiaries are principally engaged in the sale and distribution of wine and liquor, the trading of food products, construction and land development, the leasing of logistics and office facilities, the provision of financial leasing services and the selection and sales of mineral products. Prior to the Disposal, the Target Group was principally engaged in the renting of five sites of office premises and facilities situated at Beijing and Shanghai, the PRC.

The Directors noticed that due to the change of consumption pattern resulted from COVID-19 since 2020, some of the commercial buildings leased by the Target Group for onward leasing are currently vacant and are, overall speaking, under-utilized. The Target Group is contractually obligated to pay rents for the properties and consequently made loss for the last two years, and is expected to continue to incur loss in the near future. In order to cut loss, the Group decided to dispose of the Disposal Interest by entering into the Disposal Agreement with the Purchaser.

The consideration for the Disposal was determined after arm's length negotiation between the Vendor and the Purchaser with reference to, amongst other things, the carrying value of the Disposal Interest. As the premises of the Target Group were merely leasehold premises, they carried no commercial value in the last valuation estimated by the Group as at 31 December 2021. The Company has record a gain on disposal in the amount of HK\$627,000, being the difference between the consideration for the Disposal and the carrying value of the Disposal Interest (including the net liabilities disposed of and the release of the relevant exchange difference and non-controlling interest upon disposal).

As a condition of the Disposal Agreement, the Purchaser will take over the Target Group carrying its debts, liabilities and litigations as at and after Completion. In the light of the reasons stated above and the expected gain on disposal derived from the Disposal, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Disposal (including the consideration) are fair and reasonable and that the entering into of the Disposal Agreement is in the best interests of the Company and its shareholders as a whole. No Director has any material interest in the Disposal or is required to abstain from voting on the Board's decision regarding the entering into of the Disposal Agreement.

The Company has utilized the cash consideration generated from the Disposal for general working capital. The Directors are of the view that the Disposal will not cause any material adverse impact to the remaining business and operations and the financial position of the Group.

## **NON-COMPLIANCE OF THE LISTING RULES**

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal are more than 5% but less than 25%, the Disposal constituted a discloseable transaction for the Company and was subject to the reporting and announcement requirements under the Listing Rules.

The Board discovers that the Company has failed to disclose the details of the Disposal at the relevant times by way of announcement. The Disposal Agreement was signed by Mr. Ke Xionghan (“**Mr. Ke**”), an executive Director, on behalf of the Vendor on 8 November 2022. Soon after the execution of the Disposal Agreement, Mr. Ke was inflected with COVID-19 virus and was sent to a hospital in Shenzhen on 9 November 2022. Due to the deterioration of his condition, he was then sent to another designated hospital where he received intensive care treatment for days. After he was permitted release from hospital, Mr. Ke remained weak cognitively and physically and had to take weeks for full recovery. When he was able to get back to works, he was facing with serious backlog of works which he had to clear as fast and many as possible to catch up with various deadlines and schedules affecting the business operation of the Group. It was in that situation that Mr. Ke was forgetful of the Disposal, which resulted in the Disposal not being reported to the Board and hence the omission of the reporting and announcement of the Disposal Agreement.

Mr. Ke has agreed that the non-compliance of the Listing Rules was an inadvertent oversight. To avoid any recurrence of similar events, the Company will implement the following remedial measures including:–

- (i) Establish a special committee comprising Mr. Chen Chen, executive Director, and Mr. Chong Cha Hwa, independent non-executive Director, and engage an independent professional internal control reviewer to conduct jointly a thorough review on the Group’s internal control policy (“**Policy**”) as regards contract management and notifiable transactions compliance procedures. In particular, the review will aim to improve the internal control policy to ensure that better coordination and reporting arrangements of notifiable transactions will be carried out among the executive Directors and various departments of the Company responsible for reporting, monitoring and handling notifiable transactions. It is expected that the special committee and the independent professional internal control reviewer shall complete their review of the Policy and report in writing on the review results and recommendations on or about end of September 2023.
- (ii) Conduct more frequent training sessions and circulate compliance guidance and materials on regular basis to the Directors, senior management and financial staff to enhance their knowledge and understanding on Listing Rules compliance, reminding them of the importance of Listing Rules compliance, and demanding them to report to the Board if they have any doubts on the compliance and correct interpretation of the applicable rules and regulations.

With the implementation of such measures, the Company targets to enhance its internal awareness of the importance of rule compliance, including the making of appropriate disclosure in a timely manner as required by the rules.

## **DEFINITIONS**

In this announcement, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	China Beidahuang Industry Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange with stock code: 39
“Completion”	the completion of the Disposal
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Disposal Interest by the Vendor to the Purchaser pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement entered into between the Vendor and the Purchaser on 8 November 2022 in relation to the Disposal
“Disposal Interest”	55% equity interest in the Target Company owned by the Vendor prior to the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Mr. Liao Ping (繆平)
“RMB”	Renminbi, the lawful currency of the PRC
“Remaining Group”	the Group excluding the Target Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing Mumian Shangyuan Investment Management Co., Ltd. (北京木棉上元投資管理有限公司), a company established in the PRC with limited liability and a 55%-owned subsidiary of the Vendor prior to the entering into of the Disposal Agreement
“Target Group”	collectively, the Target Company and its subsidiaries
“Vendor”	Shenzhen Zhenxin Zhiyuan Investment Co., Ltd. (深圳市臻信致遠投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

*In this announcement, save as otherwise stated, amounts denominated in RMB have been converted into HK\$ at the exchange rate at HK\$1.00 = RMB0.91 for illustration purposes only.*

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

Hong Kong, 13 July 2023

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