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XINYANG MAOJIAN GROUP LIMITED

信陽毛尖集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

DISCLOSEABLE TRANSACTION DISPOSAL OF 40% EQUITY INTERESTS IN A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 4 September 2020 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement in relation to the Disposal at a total consideration of RMB70 million.

The Disposal is subject to the fulfilment of the conditions precedent as detailed in the section headed “Conditions Precedent” in this announcement. Upon completion of the Disposal, the Target Company will remain as a subsidiary of the Company.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but exempt from the shareholders’ approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to fulfilment, and/or waiver (as the case may be), of certain conditions precedent stated in the Equity Transfer Agreement, and the Disposal may or may not proceed. Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

THE DISPOSAL

The Board is pleased to announce that on 4 September 2020 (after trading hours), the Vendor and the Purchaser entered into the Equity Transfer Agreement in relation to the Disposal.

EQUITY TRANSFER AGREEMENT

Below is a summary of the terms of the Equity Transfer Agreement:

Date

4 September 2020

Parties

- (a) Mudanjiang Longtuo New Energy Co., Ltd.*, being the Vendor; and
- (b) Mr. Lv, being the Purchaser.

Subject matter

Pursuant to the Equity Transfer Agreement, the Purchaser has agreed to purchase, and the Vendor has agreed to dispose of, 40% of the equity interest in the Target Company.

Consideration and payment terms

The consideration under the Equity Transfer Agreement is RMB70 million, which shall be settled in the following manner:

- (a) RMB7 million shall be paid on the date of signing of the Equity Transfer Agreement (the “**First Payment**”);
- (b) RMB18 million shall be paid on or prior to 14 September 2020;
- (c) RMB20 million shall be paid on or prior to 31 December 2020; and
- (d) the remaining RMB25 million shall be paid on or prior to 4 March 2022 (being eighteen months after the date of signing of the Equity Transfer Agreement) (the “**Final Payment**”).

The consideration was determined on the basis of normal commercial terms and after arm’s length negotiations with reference to, among others, (i) the net asset value of the Target Company; and (ii) the historical financial performance of the Target Company.

Conditions precedent

Pursuant to the Equity Transfer Agreement, the parties have agreed that during the period between the First Payment and the Final Payment, the Purchaser may divide the transfer of the 40% of the equity interest in the Target Company into a maximum of three transactions (each a “**Transaction**”, and collectively, the “**Transactions**”), with the percentage of equity interest to be transferred for each Transaction to be further agreed between the parties.

Completion

The completion date of each Transaction shall take place on which the relevant business registration filing requirements are completed, and the Disposal shall take place when the Transactions have been completed.

Termination

If a party is in breach of the Equity Transfer Agreement, the party in breach shall be responsible for any economic losses arising as a result, and the other party shall have the right to terminate the Equity Transfer Agreement.

Appointment of the Purchaser as a director

Upon the date of signing of the Equity Transfer Agreement, the Purchaser shall be appointed as a director of the Target Company, and shall be responsible for the operations of the Target Company (the “**Appointment**”).

Other rights and obligations

The Vendor shall, pursuant to the Equity Transfer Agreement, approve at a general meeting of the Target Company, among others, the Disposal and the Appointment, and, after the holding of the relevant general meeting, assist the Target Company to submit relevant business registration filing documents required for the purposes of completing the Disposal (when applicable) and the Appointment.

Further, unless as agreed between the parties, each party shall not dispose of their respective equity interest in the Target Company pursuant to the Equity Transfer Agreement.

INFORMATION ABOUT THE PARTIES TO THE TRANSACTION AND THE TARGET COMPANY

The Company and the Vendor

The Company is principally engaged in chemical businesses and the provision of construction services.

The Vendor is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the production and sales of heat, sales of coal and the provision of energy-saving technology promotion services.

The Purchaser

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Lv is an Independent Third Party.

The Target Company

The Target Company is a company established in the PRC with limited liability and is principally engaged in the production and sales of heat and electricity.

The table below sets forth a summary of certain financial information of the Target Company (prepared in accordance with the applicable financial reporting standards in the PRC) for the financial years ended 30 June 2020 and 30 June 2019, respectively:

	Financial year ended 30 June	
	2019	2020
	(Audited)	(Unaudited)
	(HK\$'000)	(HK\$'000)
Net profit/(loss) before taxation	20,174	13,500
Net profit/(loss) after taxation	20,174	13,500

The unaudited net asset value of the Target Company as at 30 June 2020 was approximately HK\$294,083,000.

FINANCIAL EFFECTS AND USE OF PROCEEDS FROM THE DISPOSAL

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Vendor and the Company holds, indirectly through the Vendor, the entire equity interest in the Target Company. Upon completion of the Disposal, the Group will hold, indirectly through the Vendor, 60% of the equity interest in the Target Company and the Target Company will remain as a subsidiary of the Company.

Accordingly, no expected gain or loss will be accrued to the Company as a result of the Disposal and the financial results of the Target Company (including earnings, assets and liabilities) will continue to be consolidated into and reflected in the financial statements of the Group.

Subject to the review by the auditors of the Company, upon completion of the Disposal, it is estimated that the Group will record a net loss of approximately HK\$38,087,907, which is calculated based on the proceeds of the Disposal and the cost of the equity interest disposed of. The Group intends to use the proceeds from the Disposal as the Target Company's general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider that the Disposal will allow the Group to realise part of its investment in the Target Company, thereby improving the Group's liquidity and generate additional cash inflow, which will enhance the Group's ability to invest in other future potential investment opportunities.

The Directors (including the independent non-executive Directors) consider that the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its shareholders as a whole. Therefore, the Board has approved the Equity Transfer Agreement and the transactions contemplated thereunder. None of the Directors is considered to have material interest in the Equity Transfer Agreement, or is required to abstain from voting on the relevant board resolutions for considering and approving the Equity Transfer Agreement and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

Pursuant to Chapter 14 of the Listing Rules, as the highest applicable percentage ratio for the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

Completion is subject to fulfilment, and/or waiver (as the case may be), of certain conditions precedent stated in the Equity Transfer Agreement, and the Disposal may or may not proceed. Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“associate” has the meaning ascribed to it in the Listing Rules

“Board” the board of Directors

“Company”	Xinyang Maojian Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 362)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the directors of the Company
“Disposal”	the disposal of 40% of the equity interest of the Target Company pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Vendor and the Purchaser regarding the disposal of 40% of the equity interest of the Target Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	an independent third party not connected with the Company and its subsidiaries, their respective directors, chief executives and substantial shareholders and any of their associates within the meaning of the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser” or “Mr. Lv”	Mr. Lv Wangsheng (呂旺盛)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	Mudanjiang Better-Day Power Limited (牡丹江佳日熱電有限公司), a company established in the PRC with limited liability

“Vendor” Mudanjiang Longtuo New Energy Co., Ltd.* (牡丹江龍拓新能源有限公司), a company established in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company

“%” per cent

For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.88. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

By order of the Board
Xinyang Maojian Group Limited
Chan Yuk Foebe
Chairman and Chief Executive Officer

Hong Kong, 4 September 2020

As at the date of this announcement, Ms. Chan Yuk Foebe, Mr. Gao Ran, Mr. Law Tze Ping Eric, Mr. Yu Defa and Mr. Chen Lei are the executive Directors and Mr. Ma Wing Yun Bryan, Mr. Tam Ching Ho and Mr. Hau Chi Kit are the independent non-executive Directors.

* *For identification purposes only*