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## XINYANG MAOJIAN GROUP LIMITED

### 信陽毛尖集團有限公司

*(formerly known as China Zenith Chemical Group Limited 中國天化工集團有限公司)*

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

**(Stock Code: 362)**

## VOLUNTARY ANNOUNCEMENT

### AGREEMENT IN RELATION TO POSSIBLE ACQUISITION

This is a voluntary announcement made by Xinyang Maojian Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) for keeping shareholders of the Company (the “**Shareholders**”) and potential investors informed of the latest business development of the Group.

#### THE POSSIBLE ACQUISITION

The board (the “**Board**”) of directors of the Company (the “**Directors**”) is pleased to announce that on 18 November 2019 (after trading hours), the Company entered into an agreement (the “**Agreement**”) with Xinyang Maojian Holdings Co. Ltd.\* (信陽毛尖控股有限公司) (the “**Vendor**”) pursuant to which the parties have agreed to enter into a further agreement (the “**Definitive Agreement**”) in which the Company would acquire and the Vendor would sell some or all of its assets as set out in the Agreement (the “**Possible Acquisition**”).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Vendor is independent of and not connected with the Company and its connected persons (as defined in the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## **THE AGREEMENT**

The principal terms of the Agreement are summarised as follows:

### **Assets to be acquired**

The Vendor is a holding company incorporated in the People's Republic of China, principally engaged in the integration of tea planting, processing, sales, commerce, research and development, tea culture tourism and tea deep processing. The major assets owned by the Vendor include, among other things, (i) production place advantageous to Xinyang tea, (ii) multiple well-known trademarks and brands of tea products, (iii) interests in the Xinyang International Tea City\* (信陽國際茶城), and (iv) interests in the Luyu Tea Culture Park\* (陸羽文化園) and the Tea Industrial Park\* (茶工業園). Further information on the major assets owned by the Vendor is set out in Appendix I of this announcement.

### **Consideration and payment method**

The parties agreed that the consideration will be paid by way of a combination of cash consideration, bills payable, convertible bonds and/or consideration shares. The amount and method of payment of the consideration shall be determined after arm's length negotiation between the Company and the Vendor, subject to the terms and conditions to be set out in the Definitive Agreement.

### **Due diligence**

After the signing of the Agreement, the Company (and its representatives and/or advisers) shall be entitled to carry out reasonable and necessary due diligence on the assets as set out in the Agreement.

### **Exclusivity period**

Unless as mutually agreed between the parties, the Vendor will not, and will procure the directors, officers, employees, representatives and agents of their respective associated companies to not, directly or indirectly, within twelve months from the date of the Agreement (i) solicit, initiate or encourage inquiries or offers from; (ii) initiate or continue negotiations or discussions with or furnish any information to; or (iii) enter into any agreement or statement of intent or understanding with, any person or entity with respect to the assets (or similar assets) as set out in the Agreement.

### **Conditions precedent**

Completion of the Possible Acquisition (the "**Completion**") will be subject to the satisfaction or waiver of the conditions precedent pursuant to the Agreement (the "**Conditions Precedent**"). The Conditions Precedent include, among other things, the following:

- (i) completion of the due diligence over the Possible Acquisition, and the result of which is reasonably satisfactory to the Company;

- (ii) all compliance requirements as required under the Listing Rules and/or requested by the Stock Exchange relating to the Possible Acquisition having been complied with by the Company;
- (iii) all necessary permits, licence, certificates and approvals to carry out the operations of the Possible Acquisition shall be valid and will remain as valid at the Completion and for a reasonable time thereafter; and
- (iv) no material adverse change in the business, operation, position (financial, assets or legal status) or performance and/or any undisclosed material risks between the date of the Agreement and the date of the Completion.

### **Legally binding provisions**

The parties agree that the Agreement shall be legally binding on the parties with effect from the date of the Agreement.

### **REASONS FOR ENTERING INTO THE AGREEMENT**

The Company intends to build stable and mutually-beneficial strategic relationships for the development of tea industry related projects. The Group is committed to seeking business opportunities and intends to acquire high quality business with good potential for expansion of the Group's business in order to diversify the Group's income stream and enhance Shareholders' value. Given that the assets to be acquired and as set out in the Agreement are in line with the Group's development of its tea division business, the Board considers that the Possible Acquisition and the entering into of the Definitive Agreement could enhance, further expand and create synergy effect to the Group's tea division business.

As the Agreement only contains the principal terms of the Possible Acquisition, the Vendor and the Company will negotiate and agree on the definitive terms of the Definitive Agreement, if signed. After the signing of the Definitive Agreement pursuant to the Agreement, the Company will publish further announcement containing definitive details of the Possible Acquisition in compliance with the requirements of the Listing Rules.

The Board wishes to emphasise that the completion of the Possible Acquisition under the Definitive Agreement, if signed, would be subject to the Conditions Precedent which may or may not be fulfilled. As such, the Possible Acquisition may or may not proceed.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 18 November 2019

*As at the date of this announcement, Ms. Chan Yuk Foebe, 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 only*

## APPENDIX 1

An extract of the Agreement provided by the Vendor is as follows:

The Vendor is principally engaged in tea planting, tea processing, tea drinks production, tea oil processing, tea culture tourism, etc. Its core assets include:

- (1) A production place for raw materials with monopolistic advantages. Xinyang tea is located in the northern border of China that belongs to the high latitude tea area, a transition zone between the northern subtropical region and the warm temperate zone, which is very beneficial to the production of famous teas. Xinyang Maojian tea is one of the top ten famous teas in China, and also the inheritor of Chinese tea culture with 2,300 years of history. Xinyang Maojian tea is only picked once every 365 days and by hand during the golden time from Qingming Festival to Guyu. To pick out 500g sprout head, 20kg dry tea will be needed. What's more, one skilled worker can only pick out 20g sprout head per day. The Vendor employs tea masters with 50 years of experience in ancestral tea frying technique, frying tea by hand instead of shovel in an iron pot with a temperature of 150°C and twists and kneads it at a constant temperature 60 times per minute. The main producing areas of Xinyang Maojian tea are Cheyun Mountain, Jiyun Mountain, Yunwu Mountain, Tianyun Mountain, Lianyun Mountain, Heilongtan, Bailongtan and Hejiazhai, which are commonly collectively known as “Wu Yun Liang Tan Yi Zhai (五雲兩潭一寨)”. The Vendor has high-quality ecological tea gardens covering an area of more than 450,000 mu in the main production areas of Xinyang Maojian tea, which can produce more than 20,000 tonnes of Xinyang Maojian tea of the best quality every year. The Vendor controls the source of tea production to ensure product quality.
- (2) Multiple well-known trademarks and brands, with more than 300 types of tea and tea-related products put on the market, including six series, i.e. Da Qi Guo Li, Yi Yang Gong, Guo Cha Yu Li, Da Shi Xin Li, Zun Long Shang Li and Zhen Shang Li. The Vendor employs a standardised production and owns high, medium and low-grade products, meeting the needs of all consumers. Moreover, the Vendor has passed standardised certification. Its products have passed the national geographic indication product certification, origin mark registration certification, green food certification, organic tea certification, QS certification, etc. The product brand has many well-known trademarks, including “Longtan”, “Luyu”, “Chaneng”, “Wuyun” and many other tea products. “Longtan” brand is a well-known trademark in China. “Wuyunshan” and “Luyu” brands are famous trademarks in the Henan Province. Among them, the core brand “Longtan” is well received by consumers. Xinyang Maojian tea under the “Longtan” brand was designated as the tea for VIP reception gift by the VIP Room of the Enterprise Joint Pavilion of Shanghai World Expo Park. Xinyang black tea under the “Longtan” brand won the super Gold Award in Xinyang black tea competition, and the Vendor was rated as “tea meritorious enterprise in the 60th anniversary of New China”. Xinyang black tea and Xinyang Maojian tea under the “Longtan” brand have become the tea for reception of state guests in the Henan Province, and Xinyang Maojian tea under the “Longtan” brand has been approved as “Henan Time Honored Brand (河南老字號)” by Henan Provincial Department of Commerce. Xinyang black tea under the “Longtan” brand has become the designated tea for the National People’s Congress and Chinese People’s

Political Consultative Conference (NPC and CPPCC). In 2012, “Longtan Xinyang Maojian/Xinyang black tea” was rated as “Brand Henan (品牌河南)” among 100 business cards of Central Plains Economic Zone (Henan Province), becoming the only tea enterprise that can represent “Brand Henan”, shining the new business card of Central Plains. In 2013, “Longtan tea” won the gold medal of 2013 Beijing International Tea Industry Exhibition. In the same year, Xinyang Maojian tea under the “Longtan” brand was rated as “2013 most popular brand of agricultural products in Central China”.

- (3) Xinyang International Tea City, the largest international tea and tea related products trading center in the world, is a national tea trading market owned by the Vendor. Xinyang International Tea City project has a total planned building area of 5 million square meters, covering an area of 3,000 mu. Among them, the completed part covers an area of 200 mu, with a building area of more than 200,000 square meters. It is a national tea trading market approved by the Ministry of Agriculture and Rural Affairs of the People’s Republic of China. The Xinyang International Tea City is located in the Central Plains with convenient transportation with currently nearly one thousand merchants already settled in. It will achieve tea trading amount of RMB10 billion each year. Upon completion, Xinyang International Tea City will integrate the “five centers” of tea industry: the world’s largest tea product distribution and display center, tea industry research and development center, tea industry information promotion center, tea culture mining and inheritance center and tea industry standard-setting center.
- (4) Luyu Tea Culture Park, one of the promotion windows of Chinese tea culture. Luyu Tea Culture Park is a key project of the 12th Five-year Plan of Xinyang City. The project is located to the north of North Ring Road of Yangshan New District, Xinyang City, and to the west of the Central Avenue. It covers a total area of more than 300 mu. There are more than 20 buildings in “Hui style (徽派)” architecture, with a total construction area of about 100,000 square meters. Luyu Tea Culture Park integrates tea culture catering, entertainment and leisure, sightseeing and business services, and is positioned as the world’s leading tea culture featured business district. Luyu Tea Culture Park Project is composed of ten famous tea experience halls, Luyu Tea Culture Square, the world’s highest Tea Saint Luyu Granite Statue, International Tea Culture Museum, Wanguo Tea House, five-star business hotels, tea bath, tea banquet, catering, leisure and entertainment and many other subprojects. The overall architectural style adopts the courtyard layout of traditional Hui style architecture. There are traditional Xinyang landscapes along the lake, such as “Changtai Gu Du (長臺古渡), Longtan waterfall (龍潭瀑布), Shihe Fan Yue (澗河泛月), Guishan Qing Xue (龜山晴雪), Leizhao Pen Yun (雷沼噴雲), Xianling Song Feng (賢嶺松風), Shenta Zhao Hui (申塔朝輝), Kuilou Wan Zhao (奎樓晚照)”, as well as modern landscapes such as water curtain movies. When you are wandering among such small bridges, flowing water, pavilions and rockeries, which complement each other, it will feel as if you are walking in a Jiangnan garden.
- (5) Tea Industrial Park, a park integrating production, processing and R&D. Covering an area of nearly 200 mu, the Tea Industrial Park integrates tea processing, tea beverage production, tea oil processing, tea R&D and auxiliary facilities. It has designed and built more than 10 standardised

tea-refining and processing plants, 6 cold chain systems with 50 tonnes of reserves and 1 fresh-keeping cold store with 500 tonnes of capacity. At the same time, it has a number of international full-automatic Maojian tea production lines and multiple automatic filling lines. Among them:

- (i) Tea processing production line. It covers an area of 30 mu, with a construction area of nearly 20,000 square meters. Tea Industrial Park has two production lines for tea processing, one of which is the steaming production line imported from Japan and it can process more than 300 kilograms of fresh tea leaves per hour.
  - (ii) Tea beverage production line. It covers an area of 50 mu, with a building area of 20,000 square meters. Tea Industrial Park has a PET bottle filling line and an easy-to-pull can filling line, which can produce iced black tea, iced green tea, fruit drinking tea, functional tea, health tea and many other types of beverages, and with an annual capacity of up to 8 million pieces.
  - (iii) Tea oil processing. Tea oil processing base, covering an area of 50 mu, and with a building area of 10,000 square meters, can produce more than 10,000 tonnes of tea oil annually.
  - (iv) Scientific research building and auxiliary facilities. It covers an area of 70 mu, with a building area of nearly 5 square meters. There are R & D laboratory, quality inspection laboratory, product display area, office area, canteen, dormitory and other facilities.
- (6) Great support from the government and the development is in line with the policies. The governments at all levels offer nearly 2,000 mu of commercial development land, which is located in the core area of Yangshan new area, adjacent to Xinyang International Tea City, Luyu Tea Culture Park, Tea Industrial Park, Xinyang Forest Park, Sports Park and Agricultural College.
- (7) With huge retail networks and high-quality distribution channels, a business model featuring “offline sales derived from online display” and “enhancement of online sales through offline experience” have been established. At present, there are more than 50 offline physical stores all over the country.