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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)

MAJOR TRANSACTION IN RELATION TO DISPOSAL OF LANDS

THE DISPOSAL

The Board announces that on 28 December 2020 (after trading hours), the Vendor, being a company indirectly owned as to 90% by the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to transfer the land use rights of the Lands to the Purchaser at the Transfer Price of RMB156,440,000 (equivalent to approximately HK\$185,500,000), comprising of RMB139,440,000 with land compensation of RMB17,000,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Chapter 14 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders or any of their respective associates has a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene the SGM to approve the Disposal.

A circular containing, among other things, details of the Agreement and the transaction contemplated thereunder, the valuation report of the Land and a notice of the SGM in compliance with the Listing Rules will be despatched to the Shareholders on or before 19 January 2021.

As the Disposal is subject to, amongst others, Shareholders' approval at the SGM and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE DISPOSAL

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THE AGREEMENT

Date

28 December 2020

Parties

Vendor: Heihe Longjiang Chemical Limited* (黑河龍江化工有限公司), a company indirectly owned as to 90% by the Company

Purchaser: Heihe Longhe Investment Management Limited* (黑河龍合投資管理有限責任公司)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons as at the date of this announcement.

Assets to be disposed

Land A

Land A is located at Russian Power Processing Zone, Ergonghe, Heihe, Heilongjiang province, the PRC (中國黑龍江省黑河二公河俄電加工區) with an aggregate area of approximately 95,213 sq. m. where the Vendor has erected structures with an aggregate gross floor area of approximately 44,837 sq. m., for which the Vendor obtained the relevant land use right permit in March 2010.

Land B

Land B is located at Russian Power Processing Zone, Ergonghe, Heihe, Heilongjiang province, the PRC (中國黑龍江省黑河二公河俄電加工區) with an aggregate area of approximately 120,551.08 sq. m. where the Vendor has erected structures with an aggregate gross floor area of approximately 20,423.6 sq. m., for which the Vendor obtained the relevant land use right permit in March 2010. Land B has been charged to the Bank under the Legal Charge under which amount of RMB8,500,000 has been secured.

Transfer Price

The Transfer Price of RMB156,440,000 (equivalent to approximately HK\$185,500,000), comprising of RMB139,440,000 with land compensation of RMB17,000,000, will be payable as follows:

- (a) RMB8,500,000 (equivalent to approximately HK\$10,000,000) payable as a deposit and for settling part of the Transfer Price on or before signing of the Agreement; and
- (b) RMB147,940,000 (equivalent to approximately HK\$175,500,000) payable upon Completion of the Agreement.

The Transfer Price was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to, among other things, a valuation report on the Lands and buildings as at 30 June 2020 of HK\$125,336,192 based on the valuation conducted by an independent valuer plus land compensation of RMB17,000,000. The Transfer Price represents a premium of approximately 33% to the valuation.

Completion

Pursuant to the Agreement, Completion is not subject to any conditions precedent. However, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules. Accordingly, the Board will seek approval from the Shareholders at the SGM, and, in the event that the Shareholders fail to approve the Agreement, the Vendor has the right to cancel the Disposal.

REASONS FOR AND BENEFITS OF THE DISPOSAL

As the Lands have been left idle by the Group for long time and in view of the Transfer Price to be received from the Disposal by the Group, the Directors considered that the Disposal is a good opportunity for the Group to generate cash inflow, improve its liquidity and reduce the carrying cost of the idle lands.

The Company intends to use the gross proceeds from the Disposal in the amount of RMB156,440,000 (equivalent to approximately HK\$185,500,000) in the following ways:

- (a) Approximately RMB134,000,000 (equivalent to approximately HK\$159,000,000) will be used for repayment of debts;
- (b) Approximately RMB17,000,000 (equivalent to approximately HK\$20,000,000) will be used for tax payment in relation to the Disposal; and
- (c) Remaining of approximately RMB5,000,000 (equivalent to approximately HK\$6,000,000) will be used for general working capital of the Group.

The Directors believe that the terms of the Agreement are fair and reasonable and in the interests of the Group and the Shareholders.

INFORMATION ON THE GROUP AND THE VENDOR

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

The Vendor is principally engaged in manufacture and sale of calcium carbide, polyvinyl-chloride and vinyl acetate.

INFORMATION OF THE PURCHASER

The Purchaser is a wholly-owned indirect subsidiary of Heihe Border Economic Cooperate Finance Bureau* (黑河邊境經濟合作區財政局), which is a governmental department of the PRC government.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under Chapter 14 of the Listing Rules in respect of the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders or any of their respective associates has a material interest in the Disposal, thus no Shareholder is required to abstain from voting for the resolution if the Company were to convene the SGM to approve the Disposal.

A circular containing, among other things, details of the Agreement and the transaction contemplated thereunder, the valuation report of the Land and a notice of the SGM in compliance with the Listing Rules will be despatched to the Shareholders on or before 19 January 2021.

As the Disposal is subject to, amongst others, Shareholders' approval at the SGM and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Agreement”	an agreement entered into on 28 December 2020 between the Vendor and the Purchaser in relation to the Disposal
“Bank”	Agricultural Bank of China Limited Heihe Aihui Branch

“Board”	the board of Directors
“Company”	Xinyang Maojian Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	the Disposal of the land use rights of the Lands
“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
“Land A”	the land located at Russian Power Processing Zone, Ergonghe, Heihe, Heilongjiang province, the PRC (中國黑龍江省黑河二公河俄電加工區) with an aggregate area of approximately 95,213 sq. m. where the Vendor has erected structures with an aggregate gross floor area of approximately 44,837 sq. m.
“Land B”	the land located at Russian Power Processing Zone, Ergonghe, Heihe, Heilongjiang province, the PRC (中國黑龍江省黑河二公河俄電加工區) with an aggregate area of approximately 120,551.08 sq. m. where the Vendor has erected structures with an aggregate gross floor area of approximately 20,423.6 sq. m.
“Lands”	Land A and Land B
“Legal Charge”	the legal charge over Land B in favour of the Bank
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Heihe Longhe Investment Management Limited* (黑河龍合投資管理有限責任公司), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“SGM”	the special general meeting of the Company to be held to consider and approve, among others, the Agreement and the transaction contemplated thereunder
“Shareholder(s)”	shareholder(s) of the Company
“sq. m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer Price”	the transfer price in an aggregate amount of RMB139,440,000 for the transfer of the land use rights of Land A and Land B with land compensation of RMB17,000,000
“Vendor”	Heihe Longjiang Chemical Limited* (黑河龍江化工有限公司), a wholly foreign-owned enterprise established in the PRC for an operating period of 20 years commencing from the approval date of 5 June 2008 and a company indirectly owned as to 90% by the Company
“%”	per cent

In this announcement, certain amounts denominated in RMB are translated into HK\$ at the exchange rate shown below, but such conversions shall not be construed as representations that amounts in RMB were or may have been converted into HK\$ at such rate or any other exchange rates or at all: RMB1 = HK\$1.1858.

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

Hong Kong, 28 December 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 purpose only*