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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 ACQUISITION OF 100% EQUITY INTERESTS OF THE TARGET COMPANY

THE AGREEMENT

The Board is pleased to announce that on 2 February 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Vendors have agreed to sell, the Sale Capital for a consideration of HK\$80,000,000.

The Consideration shall be paid and satisfied by the Purchaser upon Completion in the following manner:

- (i) as to HK\$5,000,000 payable in cash; and
- (ii) as to the remaining balance of HK\$75,000,000 by the issue of the Promissory Note by the Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the accounts of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the transaction contemplated under the Agreement exceed 5% but are less than 25%, the entering into of the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 2 February 2021 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Agreement, pursuant to which the Purchaser has agreed to purchase, and the Vendors have agreed to sell, the Sale Capital for a consideration of HK\$80,000,000.

A summary of the principal terms of the Agreement is set out below:

THE AGREEMENT

Date: 2 February 2021

Parties: the Vendors, i.e. Ms. Yuan Lin, Ms. Chen Jing and Ms. Jiang Qiaowei; and the Purchaser.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are independent third parties who are not connected persons of the Company and are independent of and not connected with the Company or the Directors, chief executives, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates.

Asset to be acquired

The Sale Capital represents 100% of the equity interest in the Target Company.

Consideration

The Consideration for the sale and purchase of the Sale Capital shall be HK\$80,000,000 which shall be settled by the Purchaser to the Vendors upon Completion in the following manner:

- (i) as to HK\$5,000,000 payable in cash; and
- (ii) as to the remaining balance of HK\$75,000,000 by the issue of the Promissory Note in the principal amount of HK\$75,000,000 by the Company to the Vendors.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to, among other things, (i) the prospect of the Target Company; and (ii) the reasons and benefits of the Acquisition as stated under the section headed "Reasons and benefits of the Acquisition" below.

Conditions Precedent

Completion is conditional upon satisfaction or waiver (as the case may be) of the following conditions:

- (a) the Purchaser being satisfied with the financial, business and legal aspects of the Target Company, and the said review does not show the existence of any material breach, false statement and/or misleading as to the representations, warranties and undertakings made by the Vendors under the Agreement;
- (b) the Vendors having obtained all necessary consents, authorisations or approvals in relation to the Acquisition in accordance with the laws of Hong Kong, the PRC and/or other applicable jurisdiction, and if such consents, authorisations or approvals are conditional, the conditions having been fulfilled; and
- (c) on or before the Completion Date, there being no material breach as to the representations, warranties and undertakings given or made by the Vendors under the Agreement.

Completion

Completion shall take place on the Completion Date (or such date or time as the parties to the Agreement may agree in writing) after all the conditions precedent of the Agreement have been fulfilled (or being waived). Upon Completion, the Vendors shall deliver all relevant corporate documents of the Target Company to the Purchaser.

PROMISSORY NOTE

Pursuant to the terms and conditions of the Agreement, the Company will issue the Promissory Note in the aggregate principal amount of HK\$75,000,000 upon Completion on the following principal terms:

Issuer:	the Company
Aggregate principal amount:	HK\$75,000,000
Maturity:	1 year from the date of issue of the Promissory Note (the “ Maturity Date ”)
Interest:	no interest will be payable
Repayment:	due and repayable on the Maturity Date
Transferability:	the holder of the Promissory Note can assign, transfer, endorse or in any other way alienate any of the rights under the Promissory Note whether in whole or in part to any person with the prior written consent of the Company
Early repayment	the Purchaser may pay to the Vendor prior to the Maturity Date any outstanding principal amount of the Promissory Note

INFORMATION OF THE GROUP, THE VENDORS AND THE TARGET COMPANY

The Purchaser is an indirect wholly-owned subsidiary of the Company and the principal activity of the Purchaser is investment holding. The Group is principally engaged in chemical businesses and the provision of construction services.

The Vendors, i.e. Ms. Yuan Lin, Ms. Chen Jing and Ms. Jiang Qiaowei, are merchants and has over 5 years of experience in investing and trading activities. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendors are Independent Third Party.

The Target Company is owned as to 30% by Ms. Yuan Lin, 50% by Ms. Chen Jing and 20% by Ms. Jiang Qiaowei and is principally engaged in the business of provision, sourcing, marketing and design of wine products, and is the registered owner of trademarks numbered 9599581, 10459764, 11336574, 14032686, 14743068, 14743146, 14743102, 14877903, 14878051, 14877970, 15147203 and 44140263 registered under the China Trademark Office (the “**Trademarks**”).

The Target Company has entered into a collaboration agreement with Shanghai Gaocheng Creative Technology Group Co., Ltd.* (上海高誠創意科技集團有限公司) (“**Shanghai Gaocheng**”), pursuant to which (i) the Target Company has authorised Shanghai Gaocheng as the sole collaborative partner to use the Trademarks and holds a sales company, namely Shanghai Yaoshi Enterprise Development Co., Ltd.* (上海曜石企業發展有限公司) (the “**Sales Company**”) with Shanghai Gaocheng, in which the Target Company and Shanghai Gaocheng hold 35% and 65% equity interests respectively, to conduct product endorsement, advertising, and marketing of a white wine under the brand “National Dragon Wine*” (國台成龍酒) (the “**National Dragon Wine**”), which is associated with the Trademarks; and (ii) the Sales Company shall provide the Target Company annually a value of RMB40,000,000 worth of the National Dragon Wine as brand endorsement fees.

Pursuant to an exclusive sales and distribution agreement dated 1 November 2020 entered into between Guizhou Guotai Cultural Creative Wine Co., Ltd.* (貴州國台文化創意酒有限公司) (“**Guizhou Guotai**”) and Shanghai Mingcui Supply Chain Management Co., Ltd.* (上海酪萃供應鏈管理有限公司) (“**Shanghai Mingcui**”), which are owned as to 35% and 80% respectively by Shanghai Gaocheng, approximately 87.3 tons of National Dragon Wine will be supplied by Guizhou Guotai and to be distributed by Shanghai Mingcui in the PRC by the end of the year 2021. Shanghai Mingcui will supply the Sales Company a portion of the said 87.3 tons of National Dragon Wine for distribution by the Sales Company.

Financial information of the Target Company set out below is a summary of the unaudited financial information of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020:

	For the year ended 31 December 2020 (RMB)	For the year ended 31 December 2019 (RMB)
Revenue	–	–
Loss before tax	(69,000)	–
Loss after tax	(69,000)	–

According to the unaudited financial information of the Target Company, the net asset value of the Target Company as at 31 December 2020 was approximately RMB13,000 (equivalent to approximately HK\$15,000).

REASONS AND BENEFITS OF THE ACQUISITION

Wine is a necessity consumable product in the PRC. The wine market in the PRC has a rapid growth of 5% to 7.1% for the last five years since 2015. During the year ended 31 December 2019, the PRC's wine market recorded annual revenue of RMB562 billion. It is foreseeable that the wine market will have a stable expansion upon the continuous development of the PRC economy.

Furthermore, the business partner of the Target Company, Shanghai Gaocheng, is a favorable marketing expertise in the PRC wine business. Shanghai Gaocheng have had launched the promotion of famous wine brand such as Kweichow Moutai* (貴州茅台), Wuliangye (五糧液). On the other hand, the Target Company owned a series of trademark including Jackie Chan trademarks* (成龍商標) (trademark numbered 9599581 and 11336574). The Board considers the cooperation between the Target Company and Shanghai Gaocheng would enjoy the synergy effective on wine sales. The integration of Jackie Chan trademarks and the wine will provide synergy effect for the Company to enjoy the huge wine market in the PRC.

The Company considers that the Acquisition is in line with the overall business direction of the Group and is a good investment opportunity to enhance the Group's customer base and capability to expand in the wine market in the PRC.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and financial results of the Target Company will be consolidated into the accounts of the Group.

The terms of the Agreement were determined after arm's length negotiations between the parties thereto and the Directors (including the independent non-executive Directors) are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Agreement exceed 5% but are less than 25%, the entering into of the Agreement constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirement but exempted from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the proposed acquisition by the Purchaser of the entire registered and paid up capital of the Target Company from the Vendors pursuant to the terms and conditions of the Agreement;
“Agreement”	the sale and purchase agreement dated 2 February 2021 entered into between the Purchaser and the Vendors in relation to the sale and purchase of the Sale Capital;
“associate”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	any day excluding Saturdays, on which licensed banks in Hong Kong generally are open for general banking business;
“Company”	Xinyang Maojian Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange;
“Completion”	completion of the Agreement;
“Completion Date”	the fifth (5th) Business Day following the fulfillment of the conditions precedent (or such other date as the parties to the Agreement may agree in writing);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration for the Acquisition, being HK\$80,000,000;
“Director(s)”	the director(s) of the Company;
“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 People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“PRC”	the People’s Republic of China;
“Promissory Note”	the promissory note to be issued by the Company to each of the Vendors on the Completion Date in the aggregate principal amount of HK\$75,000,000 to satisfy part of the Consideration;
“Purchaser”	Mudanjiang Longjin Wine Co., Ltd.* (牡丹江龍晉酒業有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Capital”	the registered and paid up capital representing 100% of the equity interest in the Target Company;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the issued Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Beijing Yaolai Longwei Wine Co., Ltd.* (北京耀萊龍微酒業有限公司), a company established in the PRC with limited liability;
“Vendors”	Ms. Yuan Lin, Ms. Chen Jing and Ms. Jiang Qiaowei;
“%”	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\$1.19.

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

Hong Kong, 2 February 2021

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