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PING SHAN

PING SHAN TEA GROUP LIMITED

坪山茶業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 364)

**INSIDE INFORMATION
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE PROPOSED ACQUISITION AND
CONNECTED TRANSACTION**

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board is pleased to announce that on 6 July 2017 (after trading hours), the Purchaser, being a direct wholly-owned subsidiary of the Company, and the Vendor entered into the MOU, pursuant to which the Purchaser intends to purchase the Sale Shares of the Target Company from the Vendor. The Target Company is owned as to 90% by the Vendor. The MOU is not legally binding (save as certain provisions on due diligence, exclusivity, confidentiality, notices, binding effect, governing laws and jurisdiction and termination). If the Purchaser proceeds with the Proposed Acquisition, it will enter into a legally binding formal agreement with the Vendor.

MEMORANDUM OF UNDERSTANDING

The non-legally binding MOU contains, inter alia, the following major terms:

Date: 6 July 2017

Parties: (a) Ping Shan Health Industry Limited 坪山健康產業有限公司,
as purchaser

(b) Leader Master International Limited, as vendor

Mr. Cai Zhenrong, an executive Director and a substantial Shareholder, for the purpose of the Listing Rules, is the ultimate beneficial owner of the entire issued share capital of the Vendor. Accordingly, the Vendor is a connected person of the Company under the Listing Rules.

Pursuant to the MOU, the Purchaser intends to purchase and the Vendor intends to sell the Sale Shares of the Target Company. The Target Company was incorporated in the British Virgin Islands and through its wholly-owned subsidiaries, engages principally in the production, processing and sales of ginseng in the PRC.

The Proposed Acquisition is subject to the execution of a legally binding formal agreement on or before 30 September 2017 (or such other date as may be agreed by the Purchaser and the Vendor) (the “**Long Stop Date**”). The number of the Sale Shares, the amount and the form of consideration to be paid to the Vendor and other salient terms shall be determined and set out in the legally binding formal agreement.

Pursuant to the terms of the MOU, the Purchaser is entitled to conduct due diligence review on the Target Group before the Long Stop Date.

The MOU shall cease to have any effect and be terminated automatically upon (i) the Long Stop Date; (ii) the Purchaser and the Vendor having entered into a formal agreement(s) in respect of the Proposed Acquisition; (iii) the Purchaser and the Vendor otherwise agree; or (iv) the Purchaser not being satisfied with the due diligence review on the Target Group and serving notice to the Vendor terminating the MOU.

REASONS AND BENEFITS FOR THE ENTERING INTO OF THE MOU

The Group is principally engaged in the trading and sale of raw and refined tea and related products in the PRC.

The Target Group is principally engaged in the plantation, processing and sales of ginseng in the PRC. The Company is seeking to diversify its product portfolio and further its initiative into the high-end ginseng market with an aim for a continuous growth. The Directors consider that the Proposed Acquisition, if materializes, represents a good opportunity for the Group to further enhance its business integration in the areas of plantation, production and sales of tea, ginseng and other related healthcare products. The Directors are of the view that the entering into of the MOU is in the interests of the Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Cai Zhenrong, an executive Director and a substantial Shareholder, for the purpose of the Listing Rules, is the ultimate beneficial owner of the entire issued share capital of the Vendor. Accordingly, the Vendor is a connected person of the Company under the Listing Rules.

The Proposed Acquisition, if materializes, will constitute a notifiable transaction and a connected transaction of the Company pursuant to Chapter 14 and Chapter 14A of the Listing Rules. In this regard, the Company will comply with the reporting, announcement and/or independent shareholders' approval requirements, as applicable.

The Company will make further announcement in respect of the Proposed Acquisition as and when appropriate.

GENERAL

The Board wishes to emphasize that the MOU is not legally binding (save for the provisions for due diligence, exclusivity, confidentiality, notices, binding effect, governing laws and jurisdiction and termination) and is subject to the entering into of a formal agreement. As such, the Proposed Acquisition may or may not proceed. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. Further announcement will be made by the Company as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	the board of Directors
“Company”	Ping Shan Tea Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the main board of The Stock Exchange of Hong Kong Limited
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOU”	the memorandum of understanding dated 6 July 2017 entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition
“Purchaser”	Ping Shan Health Industry Limited 坪山健康產業有限公司, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China
“Proposed Acquisition”	the proposed acquisition of the Sales Shares by the Purchaser from the Vendor

“Sale Shares”	certain ordinary shares in the share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of Shares
“Target Company”	Wing Young International Limited, a company incorporated in British Virgin Islands with limited liability, which is owned as to 90% by the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Leader Master International Limited, a company incorporated in British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Cai Zhenrong, an executive Director and a substantial Shareholder for the purpose of the Listing Rules

By Order of the Board of
Ping Shan Tea Group Limited
Cai Yangbo
Managing and Executive Director

Hong Kong, 6 July 2017

As at the date of this announcement, the executive Directors are Mr. Cai Zhenrong, Mr. Cai Zhenyao, Mr. Cai Zhenying, Mr. Cai Yangbo, Mr. Choi Wing Toon, Mr. Zhang Lu and Mr. Zhou Yao Bo. The independent non-executive Directors are Mr. Lawrence Gonzaga, Ms. Choy So Yuk, BBS, JP, Mr. Chin Hon Siang and Mr. Lin Hann Ruey.