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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE ACQUISITION OF 13% EQUITY INTEREST IN
SHENZHEN FENGHUI INTERNATIONAL
CAIBAO CO., LIMITED[#]**

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 30 September 2016 (after trading hours of the Stock Exchange), the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell 13% equity interest in the Target Company for the consideration of HK\$182,000,000, which shall be satisfied by the allotment and issue of the Consideration Shares by the Company at the Issue Price.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 12 April 2016 in relation to the entry into the MOU between Mr. Zhang as potential vendor and the Company as potential purchaser. At that time, it was the intention that Mr. Zhang would purchase certain equity interest in the Target Company from the Vendor and re-sell the same to the Company for profit. Given that Mr. Zhang was appointed as an executive Director on 25 August 2016, Mr. Zhang owes fiduciary duty to act in the best interests of the Company and he decided to refer the acquisition opportunity to the Group.

In light of the above, on 30 September 2016 (after trading hours of the Stock Exchange), the Purchaser, being an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell 13% equity interest in the Target Company for the consideration of HK\$182,000,000, which shall be satisfied by the allotment and issue of the Consideration Shares by the Company at the Issue Price.

The principal terms of the Equity Transfer Agreement are summarised below.

EQUITY TRANSFER AGREEMENT

Date: 30 September 2016

Parties: Purchaser: Shishi Guochuan Investment and Consultancy Limited[#], which is principally engaged in investment consultancy business;

Vendor: Ms. Zeng Wenying[#]; and

Target Company: Shenzhen Fenghui International Caibao Co., Limited[#]

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

Subject of the Acquisition

Pursuant to the Equity Transfer Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell 13% equity interest in the Target Company, subject to the terms and conditions therein.

Consideration

The Consideration for the Acquisition is HK\$182,000,000, which shall be satisfied by the allotment and issue of the Consideration Shares by the Company at the Issue Price within 15 business days from the date on which the transfer of the Sale Equity Interest from the Vendor to the Purchaser, alteration of the articles of association of the Target Company and change of directors of the Target Company are completed and all necessary regulatory approvals in relation to the Acquisition are obtained.

The Consideration Shares will be issued at the Issue Price which was determined after arm's length negotiation between the parties with reference to the recent trading price of the shares in the Company and the prevailing market conditions. The Consideration Shares represent (i) approximately 8.88% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 8.15% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the date of Completion save for the issue of the Consideration Shares).

The Consideration Shares shall be issued as fully paid and shall rank pari passu in all respects with the Shares then in issue. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Consideration Shares will be issued and allotted pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 30 June 2016. Under the General Mandate, the Directors are authorised to issue, allot and deal with up to 4,026,864,740 new Shares (representing approximately 20% of the total issued share capital of the Company as at the date of the annual general meeting). As at the date of this announcement, the Company has not issued and allotted any new Shares under the General Mandate. Upon Completion, 1,820,000,000 Consideration Shares will be issued and allotted under the General Mandate. As a result thereof, the Company may further issue and allot up to 2,206,864,740 new Shares under the General Mandate. Therefore, the issue of Consideration Shares is not subject to the Shareholders' further approval.

The Issue Price represents:

- (i) a premium of approximately 117.4% over the closing price of HK\$0.046 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 131.5% over the average closing price per Share of approximately HK\$0.0432 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 151.9% over the average closing price per Share of approximately HK\$0.0397 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a discount of approximately 37.1% over the audited consolidated net asset value of the Company per Share of approximately HK\$0.1589 as at 31 December 2015.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into consideration the valuation of 100% equity interest in the Target Company of RMB1,291,228,964 (equivalent to approximately HK\$1,497,825,598) as at 30 June 2016, as conducted by an independent professional valuer by adopting income approach.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is subject to the satisfaction of the following conditions precedent:

- (i) the Vendor adequately and completely discloses in writing during due diligence the material information of the Target Company, including but not limited to the assets, liabilities, rights and interests, external guarantees and any information related to the Equity Transfer Agreement;

- (ii) there is no material adverse change, in the opinion of the Purchaser, occurred in relation to the operation and financial aspects of the Target Company between the date of the Equity Transfer Agreement and the Completion;
- (iii) the Vendor has not disposed or permitted or suffered a transfer of the whole or any part of her equity interest in the Target Company between the date of the Equity Transfer Agreement and the Completion; and
- (iv) between the date of the Equity Transfer Agreement and the Completion:
 - (a) the Target Company has not violated any law or regulations as a continuous and operative business;
 - (b) the Target Company has not disposed its assets and/or created or permitted to subsist any encumbrance over all or any of its assets; and
 - (c) the Target Company is not liable of material liabilities.

If any of the above conditions precedent has not been satisfied, the Purchaser shall have right to (i) terminate the Equity Transfer Agreement or (ii) waive the condition precedent(s) which have not been fulfilled and proceed to Completion.

Completion

Upon Completion, the 13% equity interest in the Target Company will be accounted for as available-for-sale financial assets of the Group.

CHANGES TO THE SHAREHOLDING IN THE COMPANY

The following table sets out the shareholding structure of the Company as at the date of this announcement and immediately after the issue of the Consideration Shares, assuming that there is no change in the issued share capital of the Company from the date of this announcement to the date of Completion save for the issue of the Consideration Shares:

	As at the date of this announcement		Upon allotment and issue of the Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Smart Fujian Group Limited (<i>Note 1 and 7</i>)	5,487,376,080	26.76	5,487,376,080	24.58
Exalt Wealth Limited (<i>Note 2 and 7</i>)	701,500,378	3.42	701,500,378	3.14
Mr. Cai Zhenrong (<i>Note 3 and 7</i>)	463,041,000	2.26	463,041,000	2.07
Mr. Cai Zhenyao (<i>Note 4 and 7</i>)	45,252,000	0.22	45,252,000	0.20
Mr. Cai Yangbo (<i>Note 5 and 7</i>)	14,270,000	0.07	14,270,000	0.06
Mr. Choi Wing Toon (<i>Note 6 and 7</i>)	3,000,000	0.01	3,000,000	0.02
Sub-total (Mr. Cai Zhenrong and parties acting in concert with him)	6,714,439,458	32.74	6,714,439,458	30.07
Ms. Choy So Yuk, <i>BBS, JP</i> (<i>Note 8</i>)	1,200,000	0.01	1,200,000	0.01
The Vendor	–	0.00	1,820,000,000	8.15
Public Shareholders	13,789,453,612	67.25	13,789,453,612	61.77
Total	<u>20,505,093,070</u>	<u>100</u>	<u>22,325,093,070</u>	<u>100</u>

Notes:

- (1) Smart Fujian Group Limited is wholly owned by Mr. Cai Zhenrong.
- (2) Exalt Wealth Limited is wholly owned by Mr. Cai Zhenyao.
- (3) Mr. Cai Zhenrong is the chairman of the Company and an executive Director.
- (4) Mr. Cai Zhenyao is an executive Director and a younger brother of Mr. Cai Zhenrong.
- (5) Mr. Cai Yangbo is an executive Director and a son of Mr. Cai Zhenrong.
- (6) Mr. Choi Wing Toon is an executive Director and a cousin of Mr. Cai Zhenrong.
- (7) All of Mr. Cai Zhenyao, Mr. Cai Yangbo, Mr. Cai Zhenying, Mr. Choi Wing Toon, Smart Fujian Group Limited and Exalt Wealth Limited are acting in concert with Mr. Cai Zhenrong.
- (8) Ms. Choy So Yuk is an independent non-executive Director.

INFORMATION OF THE TARGET COMPANY

The Target Company was established in the PRC with limited liability. As at the date of this announcement, the Target Company owns the entire equity interest in Shenzhen Pu'er Bank Tea Company Limited#. As at the date of this announcement, the Target Company has a registered capital of RMB300,000,000 (equivalent to approximately HK\$348,000,000) which has been fully paid-up, and is owned as to 99% by the Vendor and 1% by an Independent Third Party.

The following table summarises the unaudited consolidated financial results of the Target Company (prepared in accordance with the PRC GAAP) for the period from 30 July 2015 (date of establishment) to 31 December 2015:

	For the period from 30 July 2015 (date of establishment) to 31 December 2015 (RMB'000)
Turnover	–
Loss before taxation	(395)
Loss after taxation	(395)

The unaudited net assets value of the Target Company as at 30 June 2016 was approximately RMB1,327,181,000 (equivalent to approximately HK\$1,539,529,960).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in cultivation of tea plants, production and sale of tea products.

The Target Group is principally engaged in the tea products exchange business and launched the pu'er bank chain (普洱銀行連鎖機構) in the PRC. Instead of establishing its own exchange, the Target Group has entered into cooperation with 北京東方雍和國際版權交易中心 and 深圳文化產權交易所 so that its products can be traded in such exchanges. The major assets of the Target Group is the pu'er inventories, which are packaged to be products to be traded in the tea products exchange and are expected to generate significant cashflow. The Directors expect that the Group's acquisition of interest in the Target Company can help to generate cashflow and profits. Hence, the Directors are of the view that the Acquisition will maximize the future contribution to the Group and that the Acquisition is in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition by the Purchaser from the Vendor of 13% equity interest in the Target Company pursuant to the Equity Transfer Agreement
“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 (stock code: 364)

“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Consideration”	the consideration of HK\$182,000,000 for the Acquisition
“Consideration Shares”	1,820,000,000 Shares to be issued pursuant to the Equity Transfer Agreement at the Issue Price
“Directors”	the directors of the Company (including the independent non-executive directors) from time to time
“Equity Transfer Agreement”	the equity transfer agreement dated 30 September 2016 and entered into the Purchaser, the Vendor and the Target Company in relation to the Acquisition
“General Mandate”	the general mandate to allot and issue new Shares granted to the Directors by the Shareholders at the Company’s annual general meeting on 30 June 2016
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Issue Price”	HK\$0.1, being the issue price of each of the Consideration Shares
“Last Trading Day”	30 September 2016, being the last trading day for the Shares before the signing of the Equity Transfer Agreement

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding entered into between Mr. Zhang and the Company on 12 April 2016
“Mr. Zhang”	Mr. Zhang Lu [#] , an executive Director
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	the general accepted accounting principles of the PRC
“Purchaser”	石獅市國傳投資諮詢有限公司 (transliterated as Shishi Guochuan Investment and Consultancy Limited [#]), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale Equity Interest”	the 13% equity interest in the Target Company to be purchased by the Purchaser and to be sold by the Vendor pursuant to the Equity Transfer Agreement
“Shareholders”	holders of the issued shares in the capital of the Company from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	深圳豐匯國際彩寶有限公司 (transliterated as Shenzhen Fenghui International Caibao Co., Limited [#]), a company established in the PRC
“Target Group”	The Target Company and its subsidiaries
“Vendor”	Ms. Zeng Wenying [#] (曾文英), being an Independent Third Party and the owner of 99% equity interest in the Target Company as at the date of this announcement

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Ping Shan Tea Group Limited
Cai Zhenrong
Chairman

Hong Kong, 30 September 2016

The English translation of the Chinese names or words in this announcement, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names or words.

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.00 to HK\$1.16. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

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