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BLOCKCHAIN GP
區塊鏈集團有限公司

BLOCKCHAIN GROUP COMPANY LIMITED
區塊鏈集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 364)

**CONNECTED TRANSACTION
IN RELATION TO
SUBSCRIPTION OF NEW SHARES BY
A CONNECTED PERSON
UNDER SPECIFIC MANDATE**

THE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on 5 December 2017 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue the Subscription Shares at the Subscription Price of HK\$0.03 per Subscription Share.

The Subscription Shares represent (i) approximately 19.41% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change in the number of issued Shares after the date of this announcement and before Completion).

The Subscription Price represents (i) a premium of approximately 114.29% to the closing price of HK\$0.014 per Share on the Last Trading Day as quoted on the Stock Exchange; and (ii) a premium of approximately 111.27% to the average closing price of approximately HK\$0.0142 per Share for the last five consecutive trading days (including and up to the Last Trading Day) as quoted on the Stock Exchange.

SPECIFIC MANDATE

The Subscription Shares will be issued by the Company under the Specific Mandate. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

The gross proceeds from the Subscription are estimated to be approximately HK\$138,000,000. The net proceeds from the Subscription are estimated to be approximately HK\$137,000,000, which is intended to be used by the Company for the repayment of the Group's indebtedness.

IMPLICATIONS UNDER THE LISTING RULES

The Subscriber, Mr. Li, is a Director, and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the EGM seek approval for the Subscription Agreement and the transaction contemplated thereunder. Each of Mr. Li and his associates, who are involved in, or interested in, the Subscription shall abstain from voting for the resolution to approve the Subscription at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lawrence Gonzaga, Mr. Chin Hon Siang and Mr. Lin Hann Ruey will be formed to advise the Independent Shareholders on the Subscription Agreement. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Subscription Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement; and (iv) a notice convening the EGM is expected to be despatched by the Company to the Shareholders on or before 28 December 2017, as additional time is required for the preparation of the relevant information to be included in the circular.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the Conditions under the Subscription Agreement. As the Subscription may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION

On 5 December 2017, the Company and the Subscriber entered into the Subscription Agreement. The principal terms are set out below:

Date

5 December 2017 (after trading hours)

Parties

- (i) The Company, as issuer; and
- (ii) Mr. Li, as Subscriber.

Subscription Shares

Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares at the Subscription Price.

The Subscription Shares represent (i) approximately 19.41% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 16.26% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no other change in the number of issued Shares after the date of this announcement and before Completion).

Subscription Price

The Subscription Price is HK\$0.03 per Subscription Share. The Subscription Price represents:

- (a) a premium of approximately 114.29% over the closing price of HK\$0.014 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) a premium of approximately 111.27% over the average closing price per Share of HK\$0.0142 for the last five consecutive trading days up to and including the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the consideration of net assets value per Share, the closing price per Share and the prospects of the Group. The Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser appointed by the Company) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Payment terms

The Subscriber shall pay the total Subscription Price of HK\$138,000,000 on the date of Completion.

Conditions precedent to Completion

Completion is conditional upon the following conditions being fulfilled or waived (as the case may be):

- (a) the passing of the resolution(s) at the EGM by the Independent Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to the Directors to allot and issue the Subscription Shares;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange and such permission not having been revoked or withdrawn;
- (c) dealings in the Shares on the Main Board of the Stock Exchange not having been suspended for more than seven consecutive trading days during the period from the date of the Subscription Agreement to the date of Completion (both dates inclusive), except where the suspension of dealings in the Shares relates to the Subscription Agreement or the transactions contemplated thereunder;
- (d) the Company not having received written notice from the Stock Exchange indicating that the listing of the Shares on the Stock Exchange would be suspended, revoked or withdrawn immediately after Completion due to the Subscription Agreement and/or the transactions contemplated thereunder;
- (e) the Company will not, due to the Subscription Agreement and/or the transactions contemplated thereunder, violate the minimum public float requirement under the Listing Rules;

- (f) save for condition (b) above, the Company having obtained all necessary consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver (including but not limited to those provided by the Hong Kong Securities and Futures Commission, the Stock Exchange or any other third party (if applicable)) in relation to the Subscription Agreement and/or the transactions contemplated thereunder, and such consent, permit, approval, registration, filing, notice, confirmation, authorisation or waiver not having been revoked or withdrawn;
- (g) the Company not being or not being deemed by the Stock Exchange as a cash company (as defined under Rule 14.82 of the Listing Rules) under the Listing Rules;
- (h) the representations, warranties and undertakings given by the Company under the Subscription Agreement remaining true and accurate in all material respects;
- (i) the Company having fulfilled its obligations under the Subscription Agreement in all material respects;
- (j) the representations, warranties and undertakings given by the Subscriber under the Subscription Agreement remaining true and accurate in all material respects; and
- (k) the Subscriber having fulfilled its obligations under the Subscription Agreement in all material respects.

The Company shall use its best endeavour to fulfill all the Conditions (save for Conditions (j) and (k)). The Subscriber shall use its best endeavour to fulfill Conditions (j) and (k). The Subscriber may waive all the Conditions (save for Conditions (a), (b), (d), (e), (f) and (g) above) in whole or in part. The Company may waive Conditions (j) and (k) above.

If any of the Conditions is not fulfilled or waived (as applicable) on or before the Long Stop Date, the Subscription Agreement shall lapse and all the rights and obligations under the Subscription Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Subscription Agreement.

Completion

Subject to the Conditions having been fulfilled or waived (as applicable), Completion will take place on the third (3rd) Business Day following the day on which the last of Conditions has been fulfilled (or such other date as may be agreed by the Company and the Subscriber in writing).

On the date of Completion, the Subscriber shall pay to the Company the total Subscription Price of HK\$138,000,000 and the Subscription Shares shall be allotted and issued to the Subscriber or his nominees which shall rank pari passu among themselves (and shall rank in full for dividends and other distributions declared or paid thereafter) and with the Shares then in issue and be free from all encumbrances.

MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

REASONS FOR THE SUBSCRIPTION

Upon completion of the Subscription, the gross proceeds from the Subscription will be HK\$138,000,000. The net proceeds from the Subscription, after deducting related expenses in connection with the Subscription which will be borne by the Company, are estimated to be approximately HK\$137,000,000 and the net price per Subscription Share is approximately HK\$0.0298. The Company intends to use the net proceeds for the repayment of the Group's indebtedness.

The Directors (excluding the independent non-executive Directors who will express their opinion after taking into consideration the advice of the independent financial adviser appointed by the Company) consider that the Subscription would enable the Group to settle certain outstanding indebtedness, and the terms of the Subscription Agreement are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

CHANGES OF SHAREHOLDING STRUCTURE AS A RESULT OF THE SUBSCRIPTION

The shareholding structure of the Company (a) as at the date of this announcement; and (b) immediately upon Completion are as follows:

Shareholders	As at the date of this announcement		Immediately upon Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Smart Fujian Group Limited (<i>Note 1 and 7</i>)	5,487,376,080	23.16	5,487,376,080	19.39
Exalt Wealth Limited (<i>Note 2 and 7</i>)	701,500,378	2.96	701,500,378	2.48
Mr. Cai Zhenrong (<i>Note 3 and 7</i>)	463,041,000	1.95	463,041,000	1.63
Mr. Cai Zhenyao (<i>Note 4 and 7</i>)	45,252,000	0.19	45,252,000	0.16
Mr. Cai Yangbo (<i>Note 5 and 7</i>)	14,270,000	0.06	14,270,000	0.05
Mr. Choi Wing Toon (<i>Note 6 and 7</i>)	3,000,000	0.01	3,000,000	0.01
Sub-total (Mr. Cai Zhenrong and parties acting in concert with him)	6,714,439,458	28.33	6,714,439,458	23.72
Subscriber	–	–	4,600,000,000	16.26
Public Shareholders	16,982,429,630	71.67	16,982,429,630	60.02
Total	23,696,869,088	100.00	28,296,869,088	100.00

Note:

- (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.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not carried out any equity fund raising activities in the twelve months immediately preceding the date of this announcement.

PRINCIPAL ACTIVITIES OF THE GROUP

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

IMPLICATIONS UNDER THE LISTING RULES

The Subscriber, Mr. Li, is a Director and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription constitutes a connected transaction of the Company under the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will at the EGM seek approval for the Subscription Agreement and the transaction contemplated thereunder. Each of Mr. Li and his associates, who are involved in, or interested in, the Subscription shall abstain from voting for the resolution to approve the Subscription at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lawrence Gonzaga, Mr. Chin Hon Siang and Mr. Lin Hann Ruey will be formed to advise the Independent Shareholders on the Subscription Agreement. The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the Subscription Agreement; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement; and (iv) a notice convening the EGM is expected to be despatched by the Company to the Shareholders on or before 28 December 2017, as additional time is required for the preparation of the relevant information to be included in the circular.

Shareholders and potential investors should note that Completion is subject to the fulfillment of the Conditions under the Subscription Agreement. As the Subscription may or may not proceed to Completion, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday, Sunday and a public holiday) on which banks are open for business in Hong Kong
“Company”	Blockchain Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 364)
“Completion”	completion of the Subscription
“Conditions”	the conditions precedent to Completion, details of which are set out in the paragraph headed “Conditions precedent to Completion” under the section headed “The Subscription” in this announcement

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and if thought fit, approving the Subscription and the Specific Mandate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely Mr. Lawrence Gonzaga, Mr. Chin Hon Siang and Mr. Lin Hann Ruey established for the purpose of advising the Independent Shareholders on the Subscription Agreement and transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than (1) Mr. Li and his associates; and (2) those who have a material interest in the Subscription or are required by the Listing Rules to abstain from voting on the resolution approving the Subscription, the allotment and issue of the Subscription Shares and other transactions contemplated under the Subscription Agreement
“Last Trading Day”	5 December 2017, being the date of the Subscription Agreement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	4 April 2018 (or such other date as may be agreed by the Company and the Subscriber)

“Mr. Li”	Mr. Li Dongfan, an executive Director and the vice-chairman of the Board
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issue of the Subscription Shares, which is subject to approval by the Independent Shareholders voting by way of poll at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Li
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 5 December 2017 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.03 per Subscription Share
“Subscription Shares”	4,600,000,000 new Shares
“%”	per cent

By order of the Board
Blockchain Group Company Limited
Cai Yangbo
Executive Director

Hong Kong, 5 December 2017

As at the date of this announcement, the executive Directors are Mr. Cai Zhenrong, Mr. Li Dongfan, Mr. Cai Zhenyao, Mr. Cai Zhenying, Mr. Cai Yangbo, Mr. Choi Wing Toon and Mr. Chen Wenfang. The non-executive Director is Mr. Su Yichao. The independent non-executive Directors are Mr. Lawrence Gonzaga, Mr. Chin Hon Siang and Mr. Lin Hann Ruey.