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Zhongshi Minan Holdings Limited

中食民安控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8283)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE ACQUISITION

The Board is pleased to announce that on 19 September 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Equity, representing 100% of the registered capital of the Target Company, for a total consideration of RMB20,000,000 (equivalent to approximately HK\$22.0 million) which shall be settled by way of cash and allotment and issue of 383,398,645 Consideration Shares credited as fully paid under the General Mandate.

The 383,398,645 Consideration Shares represent approximately 19.17% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares immediately after Completion, assuming that there will be no change in the total number of Shares in issue (other than the allotment and issue of the Consideration Shares) between the date of this announcement and the date of Completion.

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.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 19.07 of the GEM Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company, and is subject to the announcement requirement under Chapter 19 of the GEM Listing Rules.

THE ACQUISITION

On 19 September 2024 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement in respect of the Acquisition.

The salient terms of the Sale and Purchase Agreement are summarised below:

THE SALE AND PURCHASE AGREEMENT

Date: 19 September 2024

Parties: (1) The Purchaser; and
(2) The Vendors

Subject matter

Pursuant to the terms and conditions of the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Equity, representing 100% of the registered capital of the Target Company at a cash consideration of RMB20,000,000 (equivalent to approximately HK\$22.0 million).

The Target Company is principally engaged in (i) gosling incubation; and (ii) breeding, slaughtering, processing, and sales of goose.

Further information of the Target Company is disclosed in the section headed “Information on the Target Company” in this announcement.

Consideration

The consideration payable by the Purchaser to the Vendors for the purchase of the Sale Equity shall be RMB20,000,000 (equivalent to approximately HK\$22.0 million), which shall be settled by way of cash and allotment and issue of the Consideration Shares in the following manners:

- (1) a sum of RMB100,000 (equivalent to approximately HK\$0.1 million) shall be payable to the designated bank account of the Vendors no later than five (5) Working Days after the date on which the Conditions Precedent being fulfilled or waived (as the case may be); and

- (2) the remaining balance of RMB19,900,000 (equivalent to approximately HK\$21.9 million), which shall be settled by way of the allotment and issue of 383,398,645 Consideration Shares by the Company to the Vendors (or their nominees) no later than five (5) Working Days after the date on which the Target Company completes the registration of the industrial and commercial change of the Sale Equity.

The basis of the Consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to, among others,

- (i) the prospects of the Target Company in the medium to long term;
- (ii) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below; and
- (iii) the appraised value of 100% Equity Interest of the Target Company as at 30 June 2024 of approximately RMB20.1 million, as appraised by an independent valuer using the market approach, being by making reference to comparable companies as available in the market.

The cash portion of the Consideration will be financed by the internal resources of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement and the Acquisition, including, among other things, the basis of calculating of the Consideration, are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Consideration Shares

An aggregate of 383,398,645 Consideration Shares will be allotted and issued by the Company to the Vendors at the issue price of HK\$0.057 per Share, credited as fully paid for the purpose of the settlement of the Consideration, which represents:

- (i) a discount of approximately 18.57% to the closing price of HK\$0.070 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 15.68% to the average closing price of approximately HK\$0.0676 per Share as quoted on the Stock Exchange for the last five consecutive trading days of the Shares immediately prior to the date of the Sale and Purchase Agreement.

The issue price was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement after taking into account, among others, the prevailing market price of the Shares, the financial performance of the Group and the current market conditions.

The Consideration Shares, being 383,398,645 new Shares in aggregate, represent:

- (i) approximately 19.17% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 16.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, assuming no change in the total number of Shares in issue (other than the allotment and issue of the Consideration Shares) between the date of this announcement and the date of Completion.

The Consideration Shares will be issued by the Company under the General Mandate. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with all the Shares then in issue.

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

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional in all respects upon fulfilment or waiver (as the case may be) of the following Conditions Precedent before the Long Stop Date:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Consideration Shares;
- (ii) the Target Company having completed all necessary internal procedures and approvals, including its shareholding resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Target Company's constitutional documents and the relevant laws and regulations;
- (iii) all the properties (including but not limited to real estate and intellectual property rights, etc.) held by the Target Company and their encumbrances as of the date of the Sale and Purchase Agreement having been fully disclosed by the Vendors to the Purchaser;
- (iv) all the debts, liabilities and obligations of the Target Company and their corresponding guarantees as of the date of the Sale and Purchase Agreement having been fully disclosed by the Vendors to the Purchaser;
- (v) the Purchaser having completed the legal due diligence on the Target Company, and the results of the due diligence are satisfactory to the Purchaser;

- (vi) there having been no PRC law, or judgement, decision, ruling or injunction of the PRC courts or relevant governmental authorities that restrict, prohibit, or have a material adverse effect on the transactions contemplated under the Sale and Purchase Agreement, nor having been any litigations, arbitrations, judgments, rulings, decisions or injunctions which have had or will have a material adverse effect on the transfer of the Sale Equity to the Purchaser;
- (vii) all necessary statutory governmental and regulatory approvals, consents, waivers, authorisation, registration and filings in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained, and each such approval, consent, waiver, authorization, registration and filing remaining entirely valid; and
- (viii) all necessary third-party consents and waivers in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and such consents and waivers remaining entirely valid.

Save for the Condition Precedent in paragraph (i) which cannot be waived by any party, the Purchaser may in its absolute discretion at any time waive any of the Conditions Precedent by notice in writing to the Vendors.

Completion

The completion date of the Acquisition shall be the date on which the date of completion of the registration of industrial and commercial changes (工商變更登記) for the Sale Equity.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE GROUP

The existing and enlarged shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the allotment and issue of the Consideration Shares are set out below:

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate % of total number of Shares</i>	<i>Number of Shares</i>	<i>Approximate % of total number of Shares</i>
Mr. WANG Lei (<i>Note 1</i>)	590,870,000	29.54	590,870,000	24.79
Mr. LI Jie	286,020,000	14.30	286,020,000	12.00
Mr. CHEN Huichun (<i>Note 2</i>)	700,000	0.04	700,000	0.03
Vendors	–	–	383,398,645	16.09
Other Public Shareholders	<u>1,122,410,000</u>	<u>56.12</u>	<u>1,122,410,000</u>	<u>47.09</u>
Total	<u><u>2,000,000,000</u></u>	<u><u>100.00</u></u>	<u><u>2,383,398,645</u></u>	<u><u>100.00</u></u>

Notes:

1. Mr. WANG Lei is an executive Director, Co-Chairman and Chief Executive Officer of the Company.
2. Mr. CHEN Huichun is an independent non-executive Director of the Company.

INFORMATION OF THE PARTIES

The Company and the Group

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the passenger car service industry and offer a comprehensive range of passenger car services including: (1) maintenance and repair of services; (2) modification, tuning and grooming services; (3) provision of extended warranty program; and (4) development, manufacturing and sale of smart kitchen appliances segment.

The Purchaser

The Purchaser is principally engaged in catering supply chain management. It is an indirect wholly-owned subsidiary of the Company.

The Vendors

Vendor 1 and Vendor 2 are PRC citizens.

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, each of Vendor 1 and Vendor 2 is an Independent Third Party.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability. The Target Company is principally engaged (i) gosling incubation; and (ii) breeding, slaughtering, processing, and sales of goose. The Target Company currently holds valid Pollutant Discharge Permit* (排污許可證) and Animal Epidemic Prevention Conditions Qualification Certificate* (動物防疫條件合格證書).

As at the date of this announcement, the Target Company is owned as to 98% by Vendor 1 and 2% by Vendor 2, respectively.

Set out below is the audited financial information of the Target Company for the years ended 31 December 2022 and 2023 extracted from the audited financial statements of the Target Company and the unaudited financial information of the Target Company for the six months ended 30 June 2024:

	For the year ended 31 December		For the six months ended 30 June
	2022	2023	2024
	(audited)	(audited)	(unaudited)
	RMB'000	RMB'000	RMB'000
Net profit/(loss) before tax	(1,178)	(137)	209
Net profit/(loss) after tax	(1,178)	(137)	209

The net liability value of the Target Company as at 31 December 2023 and 30 June 2024 was approximately RMB1,079,000 and RMB869,000, respectively.

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.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board is of the view that the Acquisition will offer multiple strategic advantages. It will create synergistic effects with the Group's smart kitchen appliance business while simultaneously expanding the Target Company's current breeding scale of Gushi geese (固始鵝) and enhancing its poultry slaughtering and processing production lines. Furthermore, the Acquisition is expected to increase the Target Company's sales by leveraging the Group's established brand name in the PRC market.

The Company will continue to explore different opportunities to penetrate into different areas in the food industry with an aim to maximise the Group's profit.

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot, issue and deal with additional Shares not exceeding 20% of the aggregate nominal value of the issued share capital of the Company as at the date of granting of the General Mandate at the annual general meeting of the Company held on 26 June 2024. As at the date of this announcement, no Share has been allotted or issued by the Company pursuant to the General Mandate. Accordingly, the issue of the Consideration Shares is not subject to any further approval by the Shareholders.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank *pari passu* among themselves and with all Shares in issue on the date of Completion.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but all are less than 25%, the transaction contemplated under the Sale and Purchase Agreement constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but are exempted from the circular and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that Completion of the Acquisition is subject to fulfillment or waiver (as the case may be) of the relevant conditions referred to in the paragraph headed "Conditions Precedent" of this announcement, and therefore the Acquisition may or may not proceed. Accordingly, the Acquisition may or may not materialise, and Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Equity as contemplated under the Sale and Purchase Agreement
“associates(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“China” or “PRC”	the People’s Republic of China and, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”	Zhongshi Minan Holdings Limited, a limited liability company incorporated under the laws of the Cayman Islands, the Shares of which are listed on the GEM of the Stock Exchange (stock code: 8283)
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement
“Condition(s) Precedent”	the condition(s) precedent to completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the total consideration payable by the Purchaser to the Vendors for the Sale Equity, being RMB20,000,000 (equivalent to approximately HK\$22.0 million)
“Consideration Shares”	an aggregate of 383,398,645 new Shares to be allotted and issued by the Company to the Vendors at the issue price of HK\$0.057 per Share, credited as fully paid for the purpose of the settlement of the Consideration
“Director(s)”	the director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited

“General Mandate”	the general and unconditional mandate granted to the Directors to allot, issue and deal with additional Shares not exceeding 20% of the aggregate nominal value of the issued share capital of the Company as at the date of granting of the General Mandate at the annual general meeting of the Company held on 26 June 2024
“Group”, “we”, “us”, or “our”	the Company, its subsidiaries and consolidated affiliated entity(ies)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a person, entity or party who is independent of the Company and its connected persons and not considered a connected person of the Company under the GEM Listing Rules
“Long Stop Date”	180 days from the date hereof (being 18 March 2025) or such later date as the parties to the Sale and Purchase Agreement may agree in writing
“Purchaser”	Beijing Zhengli Changsheng Technology Company Limited* (北京正力昌盛科技有限公司), 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 and Purchase Agreement”	the Sale and Purchase Agreement dated 19 September 2024 between the Purchaser and the Vendors with respect to the Acquisition
“Sale Equity”	100% of the equity interest in the Target Company
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HK\$0.0025 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules

“Target Company”	Henan Kaiyuan Food Company Limited* (河南省開源食品有限責任公司), a company incorporated in the PRC with limited liability and owned as to 98% by Vendor 1 and 2% by Vendor 2 as at the date of this announcement
“Vendor 1”	Mr. Liu Yang* (劉洋), a PRC citizen
“Vendor 2”	Mr. Liu Qinghao* (劉慶好), a PRC citizen
“Vendors”	Vendor 1 and Vendor 2, collectively
“Working Day(s)”	any day on which a company in the PRC is generally open for business, including any Saturday or Sunday that has declared by the PRC government as temporary working day (“ Temporary Working Day ”), but excluding statutory holidays and Saturdays or Sundays other than Temporary Working Days
“%”	per cent.

For illustration purposes, amounts denominated in RMB in this announcement have been translated into HK\$ at the exchange rate of RMB1 = HK\$1.0982.

By the Order of the Board
Zhongshi Minan Holdings Limited
WANG Lei

Co-Chairman, Chief Executive Officer and Executive Director

Hong Kong, 19 September 2024

As at the date of this announcement, the executive Directors are Mr. WANG Lei, Mr. FENG Wei, Mr. CHUA Boon Hou (CAI Wenhao) and Ms. WU Mengmeng; and the non-executive Directors are Mr. LI Xiaodong and Mr. ZHAO Yanjiao; and the independent non-executive Directors are Mr. CHEN Huichun, Mr. ZHAO Wei and Mr. GAO Yan.

*This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.*

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at <http://www.zhongshiminanholdings.com>.

** for identification purpose only*