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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 26 December 2023, 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 RMB19,000,000 (equivalent to approximately HK\$20,938,000) which shall be settled by way of cash and allotment and issue of 357,666,666 Consideration Shares credited as fully paid under the General Mandate.

The 357,666,666 Consideration Shares represent approximately 17.88% of the existing issued share capital of the Company as at the date of this announcement and approximately 15.17% 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 26 December 2023, 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

26 December 2023

Parties

- (1) The Vendors; and
- (2) The Purchaser.

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 RMB19,000,000 (equivalent to approximately HK\$20,938,000).

The Target Company is a food supply service provider, mainly engaged in providing high-quality food supply, fresh food takeaway and other services, and in managing an agricultural product supply chain platform.

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 RMB19,000,000, which shall be settled by way of cash and allotment and issue of the Consideration Shares in the following manners:

- (1) a sum of RMB500,000 (equivalent to approximately HK\$551,000) shall be payable by the Purchaser 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 RMB18,500,000 (equivalent to approximately HK\$20,387,000), which shall be settled by way of the allotment and issue of 357,666,666 Consideration Shares by the Company to the Vendors 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.

As the Sale Equity is owned as to 90% by Vendor 1 and 10% by Vendor 2, the Consideration will be paid as to RMB17,100,000 or 90% to Vendor 1 and RMB1,900,000 or 10% to Vendor 2.

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 long term;
- (ii) the potential future earning capacity of the Target Company;
- (iii) the net asset value of the Target Company as at 30 November 2023, being approximately RMB6,172,000; and
- (iv) the preliminary valuation amount of the Target Company as at 30 September 2023 of approximately HK\$20.4 million, as appraised by the 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 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 357,666,666 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 Last Trading Day; and
- (ii) a discount of approximately 16.42% to the average closing price of HK\$0.0682 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 357,666,666 new Shares in aggregate, represent:

- (i) approximately 17.88% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 15.17% 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:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Consideration Shares;
- (ii) the passing of all requisite resolution(s) by the directors and/or shareholders of the Target Company, as applicable, approving the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Target Company's constitutional documents;
- (iii) all the properties (including but not limited to real estate, fixed assets, intellectual property rights, etc.) held by the Target Company and their encumbrances as of the date of the Sale and Purchase Agreement have 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 have been fully disclosed by the Vendors to the Purchaser;
- (v) the Purchaser has completed its due diligence on the legal aspects of the Target Company and the results of such due diligence have been satisfactory to the Purchaser;
- (vi) There is 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 are there any litigations, arbitrations, judgments, rulings, decisions or injunctions which have had or will have a material adverse effect on the assignment 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.

If any of the Conditions Precedent have not been satisfied or waived by the Purchaser (as the case maybe as set out above) on or before 5:00 p.m. on the Long Stop Date or any other date as may be agreed in writing by the Purchaser and the Vendors, the Purchaser has the right to terminate the Sale and Purchase Agreement by written notice to the Vendors, and that the termination shall not affect the accrued rights and obligations of the parties.

Completion

Pursuant to the Sale and Purchase Agreement, Completion shall take place within 10 Working Days after the Vendors receive the cash portion of the Consideration.

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	25.06
Mr. Li Jie	286,020,000	14.30	286,020,000	12.13
Mr. CHEN Huichun (<i>Note 2</i>)	700,000	0.04	700,000	0.03
Vendors	–	–	357,666,666	15.17
Other Public Shareholders	1,122,410,000	56.12	1,122,410,000	47.61
Total	<u>2,000,000,000</u>	<u>100.00</u>	<u>2,357,666,666</u>	<u>100.00</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 the provision of technology consultation services. It is an indirect wholly-owned subsidiary of the Company.

The Vendors

Vendor 1 is a PRC citizen.

Vendor 2 is a company incorporated in the PRC with limited liability and is principally engaged in the sale of edible agricultural products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the sole legal and beneficial owner of the entire registered share capital of Vendor 2 is Ms. Cao Zhenhua* (曹振華) ("Ms. Cao"), a PRC citizen.

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, each of Vendor 1, Vendor 2 and Ms. Cao 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 in the provision of high-quality food supply, fresh food delivery and in managing agricultural supply chain platform. As at the date of this announcement, the Target Company is owned as to 90% by Vendor 1 and 10% by Vendor 2.

Set out below is the audited financial information of the Target Company for the year ended 31 December 2022 extracted from the audited financial statements of the Target Company, which were prepared in accordance with the PRC Accounting Standards for small businesses* (中華人民共和國小企業會計準則), and the unaudited financial information of the Target Company for the eleven months ended 30 November 2023:

	For the year ended 31 December		For the eleven months ended 30 November
	2021	2022	2023
	(unaudited)	(audited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net profit/(loss) before tax	Not applicable*	(111)	30
Net profit/(loss) after tax	Not applicable*	(111)	30

* *The Target Company was established on 8 December 2021 and therefore no relevant information is available for 2021.*

The net asset value of the Target Company as at 31 December 2022 and 30 November 2023 was approximately RMB6,142,000 and RMB6,172,000, 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

As set out in the interim results announcement of the Company dated 14 August 2023, the Group has ventured into a new smart kitchen segment in the PRC in 2022, and intended to implement a multiple business development model including offline retail stores, food delivery, small vegetable packaging, food and beverage branding incubation, and SaaS+ empowerment to develop its smart kitchen business. The Directors believe that the Acquisition will enable the Group to secure stable and reliable food supply and food delivery capacity which are complementary to its smart kitchen business.

The Board is of the view that the Acquisition will enable the Group to expand its smart kitchen business segment in the PRC and broaden its income stream, and the terms of the Sale and Purchase Agreement are in normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors 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 29 June 2023. 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
“Consideration”	the total consideration payable by the Purchaser to the Vendors for the Sale Equity, being RMB19,000,000 (equivalent to approximately HK\$20,938,000)
“Consideration Shares”	an aggregate of 357,666,666 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
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“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 29 June 2023
“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
“Last Trading Day”	22 December 2023, being the trading day immediately prior to the date of the Sale and Purchase Agreement
“Long Stop Date”	90 days from the date hereof (being 25 March 2024) or such later date as the parties to the Sale and Purchase Agreement may agree in writing
“Purchaser”	Zhongshi Taian (Shandong) Technology Consultation Company Limited* (中食太安(山東)科技諮詢有限公司), 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 26 December 2023 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”	Shanghai Tianji Zhongwei Enterprise Development Limited* (上海天機中為實業發展有限公司), a company incorporated in the PRC with limited liability and owned as to 90% by Vendor 1 and 10% by Vendor 2 as at the date of this announcement
“Valuer”	Vincorn Consulting and Appraisal Limited, an independent professional valuation firm
“Vendor 1”	Ms. Xu Xiangyue* (許香月), a PRC citizen
“Vendor 2”	Shanghai Zhoubao Agricultural Products Sales Company Limited* (上海宙寶農產品銷售有限公司), a company incorporated in the PRC with limited liability
“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\$1.102.

** for identification purpose only*

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

Co-Chairman, Chief Executive Officer and Executive Director

Hong Kong, 27 December 2023

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 Lili; and the Non-Executive Directors are Mr. WANG Bing 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 GEM Listing Rules 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 of Hong Kong Limited 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>.