

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

China Haisheng Juice Holdings Co., Ltd.

中國海升果汁控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0359)

MAJOR TRANSACTION DISPOSAL OF THE ENTIRE EQUITY INTEREST IN MENGZI HAISHENG MODERN AGRICULTURE COMPANY LIMITED

THE DISPOSAL

The Board is pleased to announce that on 13 October 2021, the Vendor, a non-wholly owned subsidiary of the Company, the Target Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares, representing the entire equity interest of the Target Company, at a total purchase consideration of RMB54,251,654.12.

Upon the completion of the transfer of the Sale Shares, the Target Company would cease to be a subsidiary of the Company and its financial statements would no longer be consolidated into the Group's financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 25% and all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

EGM

An EGM will be convened by the Company at which resolutions will be proposed to consider and, if thought fit, approve the Equity Transfer Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholders are required to abstain from voting at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Equity Transfer Agreement; (ii) such other information as required under the Listing Rules, and (iii) a notice convening the EGM is expected to be despatched to the Shareholders on or before 4 November 2021.

It should be noted that the Disposal is subject to the fulfilment of the conditions precedent set out in the Equity Transfer Agreement and may or may not proceed. The issue of this announcement does not in any way imply that the transactions contemplated under the Equity Transfer Agreement will be completed. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares of the Company.

INTRODUCTION

The Board is pleased to announce that on 13 October 2021, the Vendor, a non-wholly owned subsidiary of the Company, the Target Company and the Purchaser entered into the Equity Transfer Agreement, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to purchase, the Sale Shares, representing the entire equity interest of the Target Company, at the Consideration.

Upon the Completion, the Target Company would cease to be a subsidiary of the Company and its financial statements would no longer be consolidated into the Group's financial statements.

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are as follows:

- Date:** 13 October 2021
- Parties:** (1) the Vendor;
(2) the Purchaser; and
(3) the Target Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Purchaser and its respective ultimate beneficial owners are Independent Third Parties and not connected with the Company and its connected persons.

Subject matter

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares, which represents the entire equity interest of the Target Company.

The Target Company is a limited liability company established under the laws of the PRC and has a registered capital of RMB50 million, which is legally and beneficially owned by the Vendor, a non-wholly owned subsidiary of the Company.

Consideration

The Consideration is payable in three instalments in the manners below:-

- (a) a sum of RMB30 million (the “**First Instalment**”) is payable by the Purchaser within 10 business days after the fulfilment of the conditions precedent below within 10 business days after the date of execution of the Equity Transfer Agreement (the “**First Instalment Conditions**”):
- (i) the Vendor having obtained its internal consent and the Target Company having completed its internal approval procedures in relation to the Disposal;
 - (ii) the Vendor having passed the shareholder’s resolutions to approve the Disposal and delivered a duly signed and sealed copy of such shareholder’s resolutions to the Purchaser;
 - (iii) the Equity Transfer Agreement having been executed and become effective;
 - (iv) the Vendor having paid up in full the registered capital contribution of RMB50 million to the Target Company and delivered relevant written payment proof to the Purchaser;
 - (v) the Vendor and the Target Company having signed a confirmation to evidence the Target Company’s creditor’s right of RMB989,013.98 against the Vendor as at 31 August 2021 in such form and substance as agreed among the Parties and delivered a duly signed copy of such confirmation to the Purchaser;
 - (vi) the Vendor and the Target Company having signed a written document or agreement, to the satisfaction of the Purchaser, confirming that (aa) the Target Company has provided a loan to the Vendor in the sum of RMB20 million, which the Target Company owes to the Purchaser pursuant to a loan contract entered into between the Purchaser and the Target Company on 20 July 2021; and (bb) the Target Company has had the creditor’s right of RMB20 million against the Vendor;
 - (vii) the Parties having entered into a written repayment agreement concerning the repayment of loan(s) owed by the Target Company to the Purchaser in such form and substance as agreed among the Parties;
 - (viii) the Vendor and the Target Company having signed and delivered to the Purchaser a letter of disclosure with the contents to be agreed by the Purchaser before entering into the Equity Transfer Agreement and the information disclosed therein acceptable to the Purchaser and of no material adverse effect or change to the Target Company;

- (ix) the Parties having completed the handover procedures, including (aa) transferring the seals under the name of the Target Company, all licenses, certificates, bank account opening license, relevant permits for business, all bank information of the Target Company, books of accounts, loan cards, financial books, full set of information of employees, completed and outstanding contracts with relevant documents and any other important materials in relation to the operations of the Target Company to the custody of the Purchaser; and (bb) stocktaking of the Target Company's equipment and assets based on the accountants' records, and signed a confirmation in relation to the handover on the date of the Equity Transfer Agreement; and
- (x) the Vendor having undertaken that, for the period between the date of the Equity Transfer Agreement and the Completion Date (the "**Transition Period**"), without the prior written consent of the Purchaser, it will not (aa) intervene in the operation and management activities of the Target Company; or (bb) enter into any agreement or take any action which may result in an increase in the debts of the Target Company, and the Vendor and the Target Company having undertaken that, during the Transition Period, they will not distribute any dividend, transfer, dispose of or acquire any assets of the Target Company without the prior written consent of the Purchaser (collectively, the "**Transition Period Undertakings**").

The First Instalment shall be paid by the Purchaser to the Vendor in the following manners:

- (i) a sum of RMB23 million shall be offset by an equivalent amount to the debts then payable by the Vendor to the Purchaser; and
 - (ii) the remaining amount of RMB7 million shall be paid by the Purchaser to the bank account designated by the Vendor.
- (b) a sum of RMB22,251,654.12 (the "**Second Instalment**") shall be paid by the Purchaser to the the bank account designated by the Vendor within 10 business days after the fulfilment of the conditions precedent below within 2 months after the date of execution of the Equity Transfer Agreement (the "**Second Instalment Conditions**"):
- (i) the undertakings, representations and warranties given by the Vendor and the Target Company under the Equity Transfer Agreement being true, accurate, valid and not misleading;
 - (ii) no event of a material adverse effect on the financial condition, results of operations, assets or business of the Target Company caused by the Purchaser having occurred or likely to occur in the Target Company;

- (iii) there being no material adverse change in the shareholding, assets, operations or finances of the Target Company;
- (iv) the agreements entered into between the Target Company and any third parties having been or will be legally and fully performed (except where the failure of performance is due to the counter-parties) and there being no material liabilities to any third party resulting from any action taken by the Target Company that has not been disclosed to the Purchaser;
- (v) the fulfilment of the First Instalment Conditions;
- (vi) there being no breach of the Transition Period Undertakings by the Vendor and the Target Company; and
- (vii) the fulfilment of the Conditions Precedent and delivery of all relevant supporting documents by the Target Company and the Vendor to the Purchaser.

If the Second Instalment Conditions cannot be fully fulfilled within the said period, the Target Company and the Vendor shall be liable for breach of the Equity Transfer Agreement.

- (c) a sum of RMB2 million, being the balance of the Consideration (the “**Balance Consideration**”), shall be subject to the following deduction(s):
 - (i) the compensation amount which shall be determined by the Vendor and the Purchaser in writing as payable by the Vendor to the Purchaser, in connection with the personnel relations matters of the Target Company’s employees handled by the Purchaser; and
 - (ii) if there are any debt liabilities and/or contingent debt liabilities of the Target Company not disclosed to the Purchaser or any amount payable by the Target Company and the Vendor to the Purchaser for the breach of the Equity Transfer Agreement.

Any balance of the Balance Consideration after the above deductions(s) (the “**Third Instalment**”) shall be paid by the Purchaser to the Vendor (or where the above deduction(s) exceeds the Balance Consideration, the excess amount shall be paid by the Vendor to the Purchaser) within 10 business days after the date of expiry of 6 months from the Completion Date to the bank account designated by the Vendor, subject to the fulfilment of the conditions below within the above 6-month period:

- (i) the completion of the transfer of the Sale Shares;
- (ii) the Vendor having undertaken that, after the execution of the Equity Transfer Agreement, it will not engage in, directly or indirectly, the following acts:
 - (aa) inducing any employee of the Target Company or the Vendor (including its affiliates) to terminate his or her employment with the Target Company or the Vendor (including its affiliates), soliciting/hiring them or causing them to be employed by any competitor of the Target Company for any reason whatsoever; or
 - (bb) using any name that is confusingly similar to the name(s) of the Target Company or the Vendor (including its affiliates) or to any other name(s) used by the Target Company or the Vendor (including its affiliates) for business operations, or forming or setting up any entity, organisation or domain name by use of the foregoing name(s);
- (iii) none of the following circumstances having occurred:
 - (aa) the Target Company's operation rights of land held are defective or in dispute over ownership; or
 - (bb) the Target Company cannot carry out the operations or cease to operate for more than 2 months as a result of the actual usage of the land held not complying with the requirements under the PRC laws on the nature and use of the relevant land;
- (iv) upon the request of the Purchaser, the Vendor will assist the Target Company in negotiating with creditors on settlement of debts of the Target Company;
- (v) in relation to the various parcels of land transferred to the Target Company as at 30 June 2021 by various parties (the "**Relevant Parties**"), the Vendor and the Target Company having undertaken that the Target Company shall, within 6 months after the date of the Equity Transfer Agreement, sign an agreement with the Relevant Parties to vary or terminate these land transfer contracts signed by the Target Company with these Relevant Parties, complete the lease termination, compensation payment and rental settlement involved, and complete the corresponding amendment and filing procedures and obtain the amended filing documents; and
- (vi) the Target Company and the Vendor having undertaken that:
 - (aa) upon the request of the Purchaser, the Target Company and the Vendor shall procure that a non-wholly owned subsidiary of the Company, namely 陝西海升果業發展股份有限公司 (Shaanxi Haisheng Fruit Juice Co., Ltd.*) ("**Shaanxi Haisheng**") shall assist the Purchaser and its related parties in communicating and reaching an agreement (to the satisfaction of the Purchaser) with the People's Government of Mengzi City, the PRC (the "**Mengzi City Authority**") and relevant PRC authorities in connection with the failure of Shaanxi Haisheng to fully implement a cooperation agreement entered into between Shaanxi

Haisheng and the Mengzi City Authority on 17 September 2018 in connection with the revitalisation of an agricultural industrial park project within 6 months from the date of the Equity Transfer Agreement; or

- (bb) the Vendor shall compensate the Target Company a sum equivalent to any industrial support subsidies which the Target Company has received but refunded to the Mengzi City Authority.

If the Third Instalment Conditions cannot be fully satisfied within the said period, the Target Company and the Vendor shall be liable for breach of the Equity Transfer Agreement.

The Consideration was determined based on arm's length negotiation among the Parties with reference to, among others, (i) the unaudited asset value of the Target Company as at 31 August 2021; (ii) the future prospect of the Target Company; and (iii) the information set out under the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL" below. As such, the Directors consider that the Consideration is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions precedent for Completion

The Disposal shall be subject to the fulfilment of the following Conditions Precedent (save as those otherwise waived by the Purchaser, provided that the condition precedent set out in paragraph (m) below cannot be waived by any Parties):

- (a) there being no material adverse effect or change in any aspect of the Target Company as at the Completion Date;
- (b) completion of the due diligence investigation by the Purchaser with the results of the due diligence in relation to the legal, financial and business aspects of the Target Company being satisfactory to the Purchaser;
- (c) the fulfilment of the First Instalment Conditions;
- (d) the name of the Purchaser as the sole shareholder of the Target Company being entered in its register of members;
- (e) the completion of the registrations by the Target Company in respect of the transfer of the Sale Shares with the State Administration for Industry and Commerce of the PRC;

- (f) all the undertakings, representations and warranties given by the Target Company and the Vendor being true, accurate, valid and free from omission which may be misleading as at the Completion Date;
- (g) the supplemental shareholders' resolutions or other written documents in accordance with the legal requirement under the PRC laws issued by the Vendor to confirm that it has completed the internal approval procedures with respect to the change in the date of the Target Company's capital contribution by shareholder from "within 10 years of incorporation of the company" as set out in the Target Company's articles of incorporation to "30 September 2048" as set out in the articles of association signed by the Target Company on 10 June 2020;
- (h) a note of indebtedness of the Target Company as at the Completion Date being signed and delivered by the Vendor and the Target Company to the Purchaser;
- (i) the completion of the registrations by the Target Company in respect of the change in the ownership of all motor vehicles used by it;
- (j) approval from the Human Resources and Social Security Bureau of the Mengzi City for the Target Company's integrated working hours system and irregular working hours system being implemented;
- (k) an undertaking issued by the relevant related party of the Target Company that it will bear the liability arising from its actual use of the land leased by the Target Company;
- (l) all relevant senior management and core personnel having signed employment contracts, confidentiality and non-competition agreements with the Target Company that are acceptable to the Purchaser; and
- (m) the approval of the Shareholders of the Company to the Equity Transfer Agreement and the transactions contemplated thereunder at an EGM to be convened in accordance with the Listing Rules having been obtained.

Completion

The Completion shall take place on the Completion Date.

On the Completion Date, the Target Company and the Vendor shall deliver to the Purchaser the following supporting documents:

- (a) a copy of the register of members of the Target Company that has recorded the Purchaser as the sole shareholder of the Target Company;
- (b) a confirmation issued by the Target Company and the Vendor that the Conditions Precedent have all been satisfied; and

(c) the relevant written documents to support that the Conditions Precedent have all been satisfied.

Upon the Completion, the Company will cease to hold any interests in the Target Company and the Target Company will cease to be an indirect subsidiary of the Company. As a result, the financial results, assets and liabilities of the Target Company will no longer be consolidated into the financial statements of the Group.

Representations and warranties

Each of the Target Company and the Vendor has jointly and severally given customary representations and warranties to the Purchaser in respect of the corporate status of the Vendor and the Target Company and matters relating to the Disposal.

The Purchaser has also given customary representations and warranties to the Target Company and the Vendor in respect of the corporate status of the Purchaser.

The Target Company and the Vendor further agree that all the representations and warranties given by them shall continue to be valid upon the Completion Date.

If the representations and warranties made by any party, intentionally or negligently, are untrue, it shall be deemed as breach of the Equity Transfer Agreement and other non-breaching parties shall be entitled to request the party in breach to be liable.

Indemnification

The Vendor and the Target Company shall jointly and severally indemnify the Purchaser against all losses and damages which the Purchaser may incur or may be liable as a result of any direct or indirect breach of any representations or warranties given by them under the Equity Transfer Agreement or any agreed terms thereunder.

Termination

The Equity Transfer Agreement may be terminated in the following events:

- (a) if the Parties mutually consent in writing to terminate the Equity Transfer Agreement at any time;
or
- (b) the Purchaser may terminate the Equity Transfer Agreement by giving a written notice (the “**Termination Notice**”) to the Target Company and/or the Vendor at any time after the occurrence of any of the events below,
 - (i) if the Target Company and/or the Vendor is in breach of the Equity Transfer Agreement and the breach is not remedied within 2 months upon receipt of a notice from the Purchaser requesting the Target Company and/or the Vendor to remedy the breach; or

(ii) any representations and warranties made by the Target Company and/or the Vendor, collectively or individually, on the date of the Equity Transfer Agreement are untrue or proved to be untrue, inaccurate, omitted or misleading in any respect,

and the Equity Transfer Agreement shall terminate on the date of receipt of the Termination Notice by either the Target Company or the Vendor.

Upon termination of the Equity Transfer Agreement, the Parties shall cooperate with each other to execute all necessary documents and complete the termination procedures.

In the event of termination of the Equity Transfer Agreement, all other transaction documents executed by the Parties in connection with the Disposal shall be automatically terminated with the Equity Transfer Agreement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company's operations have been under pressure and its debt burdens have been increased in recent years due to the impact on the market from the trade friction between the U.S. and China, COVID-19 pandemic and the long payback period for investment in agricultural production. The Company has adjusted its business strategy in the agricultural segment according to changes in market conditions from time to time, optimised resource allocation and plans to reduce the number of small-area bases, to improve operational efficiency and reduce expenses, thereby improving its cash flow situation. The Disposal is in line with the Company's business strategy and estimated to bring positive effects on the Company's cash flow.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms and fair and reasonable and the transactions contemplated thereunder are in the interest of the Group and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Group is principally engaged in the manufacture and sale of fruit juice concentrate and related products and plantation and sale of apples and other fruits and production and sale of seedlings.

The Vendor is a non-wholly owned subsidiary of the Company. It is principally engaged in plantation and sale of apples and other fruits.

The Purchaser is a limited company established in the PRC. It is principally engaged in modern agricultural plantation and agricultural services business.

INFORMATION ON THE TARGET COMPANY

As at the date of this announcement, the Target Company is a limited liability company established in the PRC. It is a wholly-owned subsidiary of the Vendor and principally engaged in operations of fresh fruit cultivation and sales business. It operates a modern agricultural industrial park, including a blueberry and pomegranate plantation of approximately 4,000 mu.

Set out below is a summary of certain financial information of the Target Company for each of the financial years ended 31 December 2020 and 31 December 2019:

	For the year ended 31 December 2019	For the year ended 31 December 2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(Loss) before taxation	(2,614)	4,381
Profit/(Loss) after taxation	(2,614)	4,381

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Upon the completion of the transfer of the Sale Shares, the Company will cease to hold any interests in the Target Company and the Target Company will cease to be an indirect subsidiary of the Company. As a result, the financial results, assets and liabilities of the Target Company will no longer be consolidated into the financial statements of the Group.

Upon the Completion, it is estimated that the Group will record a gain of approximately RMB1.9 million from the Disposal if the Vendor receives the Consideration in full. Such gain is calculated based on the difference between the Consideration and (i) the unaudited net carrying value of the Target Company as at 31 August 2021; and (ii) estimated related transaction expenses payable by the Group in connection with the Disposal. The actual amount of the gain or loss on the Disposal to be recorded by the Group will be subject to final audit and may be different from the amount mentioned above.

The net proceeds arising from the Disposal are expected to be used as general working capital.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 25% and all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As none of the Directors has any material interests in the Disposal, none of them is required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement and the transactions contemplated thereunder pursuant to the articles of association of the Company.

A circular containing, among other things, (i) further details of the Equity Transfer Agreement; (ii) such other information as required under the Listing Rules, and (iii) a notice convening the EGM is expected to be despatched to the Shareholders on or before 4 November 2021.

It should be noted that the Disposal is subject to the fulfilment of the conditions precedent set out in the Equity Transfer Agreement and may or may not proceed. The issue of this announcement does not in any way imply that the transactions contemplated under the Equity Transfer Agreement will be completed. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the shares of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	China Haisheng Juice Holdings Co., Ltd. 中國海升果汁控股有限公司, a company incorporated in the Cayman Islands as an exempted company with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the date of Completion but no later than 31 December 2021 (or such other date as the Parties may mutually agree in writing)
“Conditions Precedent”	the conditions precedent to be fulfilled for the Completion
“connected person(s)”	has the meaning given to it under the Listing Rules
“Consideration”	the total purchase consideration in the sum of RMB54,251,654.12 payable by the Purchaser to the Vendor for the Disposal under the Equity Transfer Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the Equity Transfer Agreement
“EGM”	extraordinary general meeting of the Company to be convened for approving, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder

“Equity Transfer Agreement”	the sale and purchase agreement dated 13 October 2021 and entered into among the Vendor, the Purchaser and the Target Company for the sale and purchase of the Sales Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are not connected person(s) (as defined in the Listing Rules) of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“mu”	mu (畝), a unit of area commonly used in the PRC. 1 mu equals approximately 666.67 square meters
“Parties”	collectively, the Vendor, the Purchaser and the Target Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Purchaser”	五八農業科技有限公司 (Wuba Agriculture Technology Company Limited*), a company established in the PRC with limited liability, an Independent Third Party
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares in the issued capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	蒙自海升現代農業有限公司 (Mengzi Haisheng Modern Agriculture Company Limited*), a company established in the PRC with limited liability which is a direct wholly-owned subsidiary of the Vendor as at the date of this announcement
“Vendor”	陝西超越農業有限公司 (Shaanxi Chaoyue Agriculture Company Limited*), a company established in the PRC with limited liability which is a non-wholly owned subsidiary of the Company

“%”

per cent.

By order of the Board of
China Haisheng Juice Holdings Co., Ltd.
Mr. Gao Liang
Chairman

Xi'an, the People's Republic of China, 13 October 2021

As at the date of this announcement, the executive directors are Mr. Gao Liang, Mr. Wang Yasen and Mr. Qu Binglian; the independent non-executive directors are Ms. Huang Liqiong, Mr. Zhao Boxiang and Mr. Liu Zhongli.

* *For identification purpose only.*