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**CHINA GREENFRESH GROUP CO., LTD.**

**中國綠寶集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6183)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO  
ACQUISITION OF EQUITY INTEREST IN GUANGXI JIABAO**

Reference is made to the announcement of China Greenfresh Group Co., Ltd. (the “**Company**”) dated 5 November 2018 (the “**Announcement**”) in relation to acquisition of equity interest in Guangxi Jiabao. Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to supplement the Announcement with the following:

1. further information on Guangxi Jiabao;
2. further information on Guizhou Fund and relevant partners;
3. further information on basis of consideration of the Acquisition;
4. reasons and benefits for the Group to acquire 41.9% equity interests of Guangxi Jiabao through Guizhou Fund;
5. further information on reasons and benefits for the Acquisition; and
6. further information on Fund Interest Transfer Agreement.

## **I. FURTHER INFORMATION ON GUANGXI JIABAO**

### **Date of Incorporation**

13 December 2002

### **Business Segments**

The business segments of Guangxi Jiabao mainly include: king trumpet mushrooms, canned food, quick-freezing food, Chinese yam and fresh vegetables, etc.

### **Similar business segments with the Group**

The business segments of the Group mainly include: king trumpet mushrooms, canned foods, button mushroom, straw mushroom and shiitake mushroom, trading through domestic network, international trading of food, healthcare products and other processed food, etc. Among which, two business segments of the Group similar to the business of Guangxi Jiabao were: (i) production and sales of canned food products; and (ii) industrial production and sales of edible fungi.

The similarities and differences of the two similar business segments between Guangxi Jiabao and the Group are summarized as follows:

- (1) In respect of the production and sales of canned food products, the types of the produced and sold products of Guangxi Jiabao and the Group are different: Guangxi Jiabao is mainly engaged in the production and sales of canned water chestnuts with an annual production volume of approximately 11,000 tons, while the Group's key products are canned fruits and mixed vegetables with an annual production volume of approximately 15,000 tons; and
- (2) In respect of the industrial production of edible fungi, the plantation and production models of Guangxi Jiabao and the Group are generally the same. The annual production volume from the plantation and sales of edible fungi (the king trumpet mushrooms) of Guangxi Jiabao and the Group are approximately 4,000 tons and approximately 22,000 tons, respectively.

For the first half of the year of 2018, the sales revenue of Guangxi Jiabao from the said two segments were approximately RMB21.194 million and RMB13.314 million respectively, representing approximately 13.36% and 8.39% of the total sales of Guangxi Jiabao during the same period, respectively. And such revenue accounts for approximately 4.55% and 2.86% of the Group's sales volume (i.e. RMB466.268 million) for the first half of the year of 2018.

### **Capital contribution**

Since acquisition of 48.7% interests in Guangxi Jiabao by the Company in December 2017, no capital contribution has been made by the Group to Guangxi Jiabao Group.

## **II. FURTHER INFORMATION ON GUIZHOU FUND AND RELEVANT PARTNERS**

### **Financial Position**

As disclosed in the Announcement, Guizhou Fund was established on 1 November 2018. As at the date of the Announcement, the total asset and net asset of Guizhou Fund are both nil, but each partner of the fund has yet to make their capital contribution to Guizhou Fund and will make their respective capital contribution following completion of the transaction under the Fund Interest Transfer agreement, which is a funding approach in line with the customary funding arrangements normally seen in fund transactions in China.

### **Fund operation and management**

The partners' general meeting of Guizhou Fund comprises of all partners and stands as the highest authority of Guizhou Fund. And the investment committee of Guizhou Fund is responsible for considering and deciding on the fund's investment in, and exit from, specific investment projects during the fund's daily operation.

#### ***(1) Partners' general meeting***

It is responsible for considering and deciding on all fundamental and important issues in relation to Guizhou Fund, including but not limited to admission and departure/retirement of partners, appointment and dismissal of general partner, alteration and termination of the fund, formulation and amendment of the basic internal rules and system of the fund and matters relating to profit sharing, etc.

The partners of Guizhou Fund will exercise their voting right in the partners' general meeting in proportion to their capital contributions. Resolutions will be passed by obtaining approval from partner(s) holding two thirds of the partnership interest of the fund. Upon completion of the Acquisition, the Group will hold 79% interests in Guizhou Fund through its wholly-owned subsidiary Fujian Greenfresh Foods; and

(2) *Investment committee*

The investment committee is comprised of five members, of which three of them will be nominated by the Group and the remaining two members will be nominated by Dingxin Bocheng. Matters relating to specific investment projects are subject to the approvals by all members of the committee. The investment committee will also appoint a supervisor which is responsible for compliance issues only and will be nominated by Guizhou Transformation Fund.

**Fund Investment**

As at the date of the Announcement, apart from the Acquisition, Guizhou Fund does not have any investment acquired or to be acquired. Save as the transaction contemplated under Equity Transfer Agreement II, the remaining balance of Guizhou Fund of RMB120,000,000 is intended to be used for investment projects in relation to companies in edible fungi and general health industries in Guizhou province.

**Information on General Partner – Dingxin Bocheng**

(1) *General Introduction*

Established in 2009, Dingxin Bocheng has a registered capital of RMB10 million. It is the first fund manager in Guizhou province entrusted by central government fund, and also a government guided fund for small and medium sci-tech enterprises under the Ministry of Science and Technology. It is also the first investment manager for private-equity which had completed regulatory filing procedures in Guizhou. Its management team comprises of members with many years of experiences in investment and financial industry and extensive hands-on experiences in fund investment and management, bank financing and business consulting.

As of the present, Dingxin Bocheng has been managing 4 investment funds, 2 of which are invested by the central government fund. In addition, Dingxin Bocheng has invested in 44 investment projects, which include 2 main board-listed companies, 1 SME board-listed company and 12 NEEQ-listed companies in China as of the date of this announcement.

**(2) *Rights and Obligations of Dingxin Bacheng***

The rights and obligations of Dingxin Bacheng, as a general partner of Guizhou Fund, are in line with the customary rights and obligations of the general partners of similar investment funds in China, which are summarised as follows:

- (i) *Rights of Dingxin Bocheng*: in charge of the daily operation and management of the fund; acting on behalf of the fund; proposing and formulating the basic internal management and regulatory system of the fund for the approval by the partners' general meeting of the fund; convening, chairing and attending meeting of the partners' general meeting and other partners meetings and exercising the relevant voting rights; recruiting or dismissing relevant managerial staff of the fund; right of sharing of the fund's profit; and
- (ii) *Obligations of Dingxin Bocheng*: complying with the relevant laws, regulations and the relevant agreements in relation to the fund; conducting due diligence, negotiation and drafting major terms for proposed investment projects; observing regular reporting duties to limited partners; no pledge can be made over the fund assets; no loan or guarantee can be made in the name of the Fund or over the fund assets; unlimited joint liability for the fund's liabilities.

**Information on Limited Partner – Guizhou Science and Technology Achievements Transformation Fund Venture Capital Co., Ltd.\* (“Guizhou Transformation Fund”)**

Guizhou Transformation Fund, the limited partner of Guizhou Fund, is a fund under Guizhou Financial Holding Group Co., Ltd. (貴州省金融控股集團), which is a large-scale provincial state-owned enterprise established upon approval by the Guizhou government.

## **Independence of partners**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Dingxin Bocheng, Guizhou Transformation Fund and their respective ultimate beneficial owners are: (i) Independent Third Parties; (ii) not related to Mr. Zheng Songmao; and (iii) not related to Able Victor, United Pioneer and their respective ultimate beneficial owners as referred to in the announcement dated 5 December 2017 of the Company.

### **III. FURTHER INFORMATION ON BASIS OF CONSIDERATION OF THE ACQUISITION**

As disclosed in the Announcement, the consideration is determined based Jiabao Multiplier, Jiabao Base Price and the Company's equity interest in Guangxi Jiabao. Among which, in determining Jiabao Multiplier, two business segments of Guangxi Jiabao similar to the business of the Group were taken into account, which were: (i) production and sales of canned food products; and (ii) industrial production and sales of edible fungi.

The Company believes it is fair and reasonable to adopt the Group's price-earnings ratio, instead of net asset value of Guangxi Jiabao, as one of the bases of consideration of the Acquisition, the reason of which are as follows:

- (1) adoption of the Group's price-earnings ratio as one of the basis of Jiabao Multiplier is consistent with the basis of consideration for the Group's acquisition of 48.7% interests of Guangxi Jiabao in 2017;
- (2) adoption of the Group's price-earnings ratio as one of the basis of Jiabao Multiplier has been agreed between the parties upon their arm's length negotiation;
- (3) the Company, as the purchaser in the Acquisition and also as a HK listed company itself, will consolidate the financial information of Guangxi Jiabao Group into the Group's financial statement as Guangxi Jiabao will become a wholly-owned subsidiary of the Company upon the completion of the Acquisition; and
- (4) adoption of price-earnings ratio (instead of net asset value) in determining consideration is consistent with the prevailing market practice of similar corporate transactions.

#### **IV. REASONS AND BENEFITS FOR THE GROUP TO ACQUIRE 41.9% EQUITY INTEREST OF GUANGXI JIABAO THROUGH GUIZHOU FUND**

Given that the Group currently holds 48.7% equity interests in Guangxi Jiabao, the Group has a pre-emptive right to purchase the remaining 51.3% equity interest. Notwithstanding this, the Group is more inclined to acquire the equity interests under the Equity Transfer Agreement II through Guizhou Fund (by way of acquiring existing partnership interest in Guizhou Fund) for the following reasons:

##### **(1) Support of Capital and Policies**

The major shareholders of Dingxin Bocheng and Guizhou Transformation Fund, the general partner and limited partner of Guizhou Fund, include the Guizhou government and its affiliated departments and companies. After the completion of the transactions contemplated under the Fund Interest Transfer Agreement, Dingxin Bocheng and Guizhou Transformation Fund will make capital contribution of 1% (i.e. RMB3 million) and 20% (i.e. RMB60 million) to Guizhou Fund, respectively.

Guizhou government has ranked the development of modern agriculture as one of the top priorities of the industrial restructuring of the province. Leveraging on the local government platform and its advantages in regional industry and resources, Guizhou Fund will help the Group lay a solid foundation for the Group's business development in Guizhou province in the near future.

##### **(2) Geographic Advantages of Guizhou Fund**

Guizhou province possesses abundant natural resources and advantages for ecological agriculture with rich resources of medical-used plants and agricultural resources. In recent years, Guizhou government has put the development of modern agriculture as one of its top priorities of the industrial restructuring of the province.

**(3) Professional Expertise of Dingxin Bocheng**

As a professional investment management company providing comprehensive investment services covering pre-listing financing, enterprise management, restructuring for listing, etc., Dingxin Bocheng has rich professional credentials and experiences in the relevant fields, which will provide strong and valuable support and assistance for the Group in relation to the execution of the Group's acquisition of Guangxi Jiabao.

Furthermore, the Company believes that such professional edges of Dingxin Bocheng and the synergy between the Group and Dingxin Bocheng will greatly assist the Group in its business development, investment activities and corporate transactions in Guizhou province as well as other regions of China in the future.

**(4) Sufficient Control Over Guizhou Fund**

Upon completion of the Acquisition, Guizhou Fund will become a subsidiary of the Group and its financial results will be consolidated into the financial statements of the Group. The Group will be able to exercise sufficient control over Guizhou Fund (please refer to the section of "Fund operation and management" in this announcement) and in turn the 41.9% interests of Guangxi Jiabao after completion of the Acquisition, while the interest of the Group and Guizhou Fund will be aligned after Guizhou Fund becomes the Group's subsidiary.

**(5) Acquisition of existing partnership interest**

At the initial and preliminary stage of discussion between the Group and Dingxin Bocheng, Guizhou Fund had already entered the stage of seeking regulatory approval for its formation, while the partners had not made any capital contribution then.

Therefore, in the interest of time for execution and pushing forward of the Acquisition in a timely manner, the Group decided to acquire the existing partnership interest from other partners right after the establishment of Guizhou Fund, instead of separately setting up a new fund which would be a much more time-consuming process.

**(6) No liability**

Apart from the obligation of capital contribution to Guizhou Fund, the Company will be free from any liability obligations arising from the transferors to the Guizhou Fund.

After taking into account such reasons and benefits above, the Group believes that to acquire 41.9% equity interests of Guangxi Jiabao through the Guizhou Fund is in the interest of the Company and its shareholders as a whole.

**V. FURTHER INFORMATION ON REASONS AND BENEFITS FOR THE ACQUISITION**

Save as disclosed in the Announcement, upon completion of the Acquisition, the strong capabilities and network of Guangxi Jiabao in the relevant areas will enable the Group to rapidly enter into the market of precious kind of fungi, the black termitomyces albuminosus, extend its reach to the fresh edible fungi market in Europe and the US, diversify the variety of its quick-freezing and processed canned food products, expand its global market penetration and increase the competitiveness of the Group.

**VI. FURTHER INFORMATION ON FUND INTEREST TRANSFER AGREEMENT**

Fund Interest Transfer Agreement is conditional on obtaining approval from the shareholders of the Company, but it is not subject to the completion of Equity Transfer Agreement II (while Equity Transfer Agreement II is conditional on completion of transaction under Fund Interest Transfer Agreement).

Save as disclosed above, all other information in the Announcement shall remain unchanged.

By order of the Board  
**CHINA GREENFRESH GROUP CO., LTD.**  
**Zheng Songhui**  
*Chairman*

Xiamen, the People's Republic of China, 14 November 2018

*As at the date of this announcement, the Board comprises Mr. Zheng Songhui and Mr. Zheng Tianming as executive Directors; Ms. Zhang Lin and Mr. Zheng Kangbin as non-executive Directors; and Mr. Li Wai Kwan, Mr. Lou Robert Hsiu-sung and Mr. Cheng Hiu Yung as independent non-executive Directors.*

*\* For identification purpose only*