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HAN TANG INTERNATIONAL HOLDINGS LIMITED
漢唐國際控股有限公司

(Incorporated in the British Virgin Islands and continued in Bermuda with limited liability)

(Stock Code: 01187)

- (1) VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION**
(2) REVERSE TAKEOVER INVOLVING A NEW LISTING APPLICATION
(3) APPLICATION FOR WHITEWASH WAIVER
(4) PROPOSED DISPOSAL OF A SUBSIDIARY
AND
(5) PROPOSED CAPITAL REDUCTION

Financial adviser to the Company



Halcyon Capital Limited

Sponsor to the new listing application of the Company

BALLAS
C A P I T A L

THE ACQUISITION

On 22 November 2016, the Company and the Vendor entered into the Agreement, pursuant to which the Company has conditionally agreed to acquire from the Vendor the Sale Shares. The consideration is HK\$344,827,586. It shall be satisfied by the allotment and issue of the Consideration Shares at the Issue Price and the issue of the Convertible Bonds upon Completion.

The Sale Shares represent the entire issued share capital of the Target Company. The Target Group is based in Xuzhou, Jiangsu Province. The Target Group is engaged in the operation of power generators and hot water supply systems, and generating revenue from the sale of electricity, heat and bath water.

(1) Implications under the Listing Rules

The Acquisition constitutes:

- i. a very substantial acquisition for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios in respect of the Acquisition are more than 100%;
- ii. a reverse takeover of the Company under Rule 14.06(6)(a) of the Listing Rules as the issue of the Consideration Shares will result in a change of control (as defined under the Takeovers Code) of the Company; and
- iii. a connected transaction of the Company under Rule 14A.28 of the Listing Rules as the Vendor will become a controlling Shareholder and thus a controller (as defined under Rule 14A.28(1) of the Listing Rules) upon Completion.

The Acquisition will be subject to the approval of the Independent Shareholders at the SGM.

The Acquisition constitutes a reverse takeover of the Company, and the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition will be subject to the approval by the Listing Committee of the new listing application to be made by the Company. The new listing application is required to comply with all the requirements of the Listing Rules. Ballas Capital Limited has been appointed as the sponsor in relation to the Company's new listing application.

As disclosed in the February Announcement, the Stock Exchange agreed to allow the Company to submit a new listing application on or before 30 April 2017.

(2) Implication under the Takeovers Code

As at the date of this announcement, the Vendor does not own or control any Shares. Upon the allotment and issue of the Consideration Shares as settlement of part of the consideration under the Agreement, the Vendor will become interested in 474,383,724 Shares, representing approximately 75% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. In the absence of the Whitewash Waiver, the Vendor will be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by it) under Rule 26.1(a) of the Takeovers Code.

An application to the Executive for the Whitewash Waiver will be made by the Vendor. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders at the SGM by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Vendor and his concert parties in the Company will exceed 50%. The Vendor and its concert parties may further increase its interests in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Acquisition is conditional on the Vendor being granted the Whitewash Waiver and the Independent Shareholders approving the Whitewash Waiver at the SGM on a vote taken by way of a poll.

The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not so granted or approved.

PROPOSED DISPOSAL OF INTEREST IN ICSC

The Board has resolved to divest the Company's interest in ICSC.

The disposal, if proceeded, will constitute a notifiable transaction of the Company under the Listing Rules. The Company will issue further announcement and comply with the Listing Rules and the Takeovers Code (if applicable) if it proceeds with the disposal.

PROPOSED CAPITAL REDUCTION

The Company will effect a reduction of the credit amount standing to the share premium account of the Company and apply the same to set off the provision of bad debts (if any) and any loss related to the proposed disposal of the interest in ICSC (if any) as set out in the Company's accounts. Further details will be provided in the Circular.

THE ACQUISITION

On 22 November 2016, the Company and the Vendor entered into the Agreement. A summary of the principal terms of the Agreement is set out below.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is independent of the Company and connected persons of the Company.

Subject matter

The Company has conditionally agreed to acquire from the Vendor, and the Vendor has conditionally agreed to sell and procure to sell, to the Company, the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company.

Further information regarding the Target Group is set out in the paragraph headed "Information on the Target Group" below.

Consideration

The consideration for the Acquisition is HK\$344,827,586.

It was determined by the parties after arm's length negotiations with reference to the recent financial performance of the Target Group and the price-earnings ratio of companies comparable to the Target Group. The consideration will be settled by the allotment and issue of the Consideration Shares at the Issue Price of HK\$0.12 per Share and the issue of the Convertible Bonds upon Completion.

Consideration Shares

The Consideration Shares, being 474,383,724 new Shares, will be allotted and issued 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 Consideration Shares. The Consideration Shares when issued will rank pari passu in all respects with the Shares in issue at the date of issue including in respect of all dividends and distributions declared, made or paid on or after such date of issue.

Convertible Bonds

The principal terms of the Convertible Bonds are set out below:

Principal amount	HK\$287,901,539
Maturity date	The date falling on the fifth anniversary of the issue date.
Interest	The Convertible Bonds will carry interest at the rate 1.5% per annum.
Conversion Price	HK\$0.12 per Share, subject to adjustments in accordance with the terms of the Convertible Bonds:

(i) Consolidation or subdivision

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:—

$$\frac{A}{B}$$

where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(ii) Capitalisation of profits or reserves

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{C}{C+D}$$

where:

- C is the aggregate nominal amount of the issued Shares immediately before such issue; and
- D is the aggregate nominal amount of the Shares credited as fully paid issued to the Shareholders.

Such adjustment shall become effective on the date following the record date for the issue of such Shares.

(iii) Capital distribution and rights issues of other securities:

If and whenever the Company shall (i) pay or make any capital distribution to the Shareholders (except where the Conversion Price falls to be adjusted under sub-paragraph (ii) above); (ii) issue any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all or substantially all Shareholders as a class, by way of rights, or the issue or grant to all or substantially all Shareholders as a class by way of rights, of any options, warrants or other rights to subscribe for or purchase or otherwise acquire, any securities (other than

Shares or options, warrants or other rights to subscribe for or purchase Shares); or (iii) grants any rights to the distribution of assets of the Company or its subsidiaries in specie, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such capital distribution by the following fraction:—

$$\frac{E - F}{E}$$

where:

- E is 95% of the current market price of each Share on the trading day last preceding the date on which the capital distribution is made; and
- F is the market value of each Share on two business days prior to the date of the announcement of the relevant event, as determined by an investment bank in good faith as an expert, of the portion of the capital distribution attributable to one Share.

Such adjustment shall become effective on the date that such capital distribution is actually made.

(iv) *Rights issues of shares or options over shares:*

If and whenever the Company shall issue Shares to Shareholders by way of rights, or shall issue or grant to Shareholders, by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95% of the current market price of each Share on the trading day last preceding the date on which such issue or grant to Shareholders is announced, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{G + (H+I/J)}{G + H}$$

where:

G is the number of Shares in issue immediately before such announcement;

H is the aggregate number of Shares issued or, as the case may be, comprised in the grant;

I is the aggregate amount (i) (if any) payable for the rights or for the options or warrants or other rights issued by way of rights for each Share; and (ii) payable for each Share to be subscribed;

J is 95% of the market price of each Share on the day prior to the announcement;

Such adjustment shall become effective on the next business day after the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be).

(v) *Issue of Shares upon conversion or exchange:*

- (i) If and whenever the Company shall issue any securities which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 95% of the current market price of each Share on the trading day immediately preceding the date on which such issue is announced, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{K + L}{K + M}$$

where:

- K is the number of Shares in issue immediately before such issue;
- L is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange or upon exercise of the rights of subscription attached to such securities would purchase; and
- M is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon exercise in full of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate.

Such adjustment shall become effective on the earlier of the business day after the date of issue of such Shares or issue or grant of such options, warrants or other rights.

- (ii) If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (v)(i) so that the conversion price or exercise price or consideration payable per Share is less than the conversion price or exercise price or consideration payable per Share on the day immediately preceding the date of such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{N + O}{N + P}$$

where:

- N is the number of Shares in issue immediately before such modification;
- O is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange, or upon exercise of the right of subscription attached to the securities so modified, would purchase at the price prior to modification; and
- P is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate,

Such adjustment shall become effective on the date of such modification of the rights of conversion, exchange or subscription attaching to such securities.

(vi) *Issues at less than the current market price*

- (a) If and whenever the Company shall issue Shares at a price per Share which is less than the 95% of the current market price per Share on the last trading day preceding the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{Q + R}{Q + S}$$

where:

Q is the number of Shares in issue immediately before the issue of such additional Shares;

R is the number of Shares which the aggregate consideration receivable by the Company for such additional Shares to be issued at 95% of the current market price per Share on the last trading day preceding the date of announcement of the terms of such issue; and

S is the maximum number of additional Shares issued.

Such adjustment shall become effective on the date of issue of such additional Shares.

(vii) Issue of consideration shares

If and whenever the Company shall issue Shares for the acquisition of asset at an issue price per Share which is less than 95% of the current market price per share on the last trading day preceding the date of announcement of such acquisition, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{T + U}{T + V}$$

where:

T is the number of Share in issue immediately before the announcement of such acquisition;

U is the number of Share which the consideration would purchase at 95% of the current market price per Share on the last trading day preceding the date of announcement of such acquisition; and

V is the number of consideration Shares to be issued.

Such adjustment shall become effective on the date of issue of such Shares.

For the purposes of these adjustments mechanism:

1. “**current market price**” means in respect of a Share at a particular date, the average of the daily closing prices (as derived from the Daily Quotation Sheet of the Stock Exchange) for one Share (being a Share carrying full entitlement to dividend) for the 20 consecutive Trading days ending on the Stock Exchange Business Day immediately preceding such date; provided that if at any time during the said 20 trading days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares have been quoted cum-dividend then, where appropriate:
 - (a) if the Shares to be issued or purchased do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and
 - (b) if the Shares to be issued or purchased rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Share;

and provided further that if the Shares on each of the said 20 trading days have been quoted cum-dividend in respect of a dividend which has been declared or announced but, where appropriate, the Shares to be issued or purchased do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

If, on any of the 20 consecutive trading days referred to above, no closing price is reported for the Shares, then “20 consecutive trading days” immediately preceding a particular date shall be deemed to be the 20 days on which trading of the Shares is last conducted on the Stock Exchange immediately preceding such date.

Number of Conversion Shares issuable 2,399,179,491 new Shares will be issued upon full conversion of the Convertible Bonds based on the initial conversion price of HK\$0.12.

An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares. The Conversion Shares when issued will rank pari passu in all respects with the Shares in issue at the date of issue including in respect of all dividends and distributions declared, made or paid on or after such date of issue.

Conversion period Each Bondholder has the right to convert the Convertible Bonds in whole or in part into Conversion Shares at any time on or after the issue date of the Convertible Bonds up to the maturity date.

Notwithstanding the conversion rights attaching to the Convertible Bonds, the Company may not issue any Share and the relevant Convertible Bonds will continue until redeemed on the maturity date if and to the extent that upon such issue of the Convertible Bonds, the shareholding in the Company by the public shall be less than the minimum prescribed percentage as set out in the Listing Rules from time to time.

Redemption at maturity Each Convertible Bond will be redeemed on maturity at a value equal to 100% of the outstanding principal

Transferability The Convertible Bonds will be transferable.

Status The Convertible Bonds will represent direct, unconditional, unsubordinated and unsecured obligations of the Company and will at all times rank pari passu with all existing and future unsubordinated and unsecured obligations of the Company.

Voting	A Bondholder will not be entitled to vote at any general meetings of the Company by reason only of it being a Bondholder.
Listing	No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other exchange.
Restrictions on conversion	No Convertible Bonds may be converted if the issue of such conversion shares will result in the Company failing to meet the public float requirements under Rule 8.08 of the Listing Rules.

Issue Price and initial Conversion Price

The Issue Price of the Consideration Shares and the initial Conversion Price represent:

- i. a discount of approximately 95.4% to HK\$2.61, the closing price of the Shares on the Stock Exchange on the Last Trading Day;
- ii. a discount of approximately 95.9% to HK\$2.923, the average closing price of Shares on the Stock Exchange for the last 10 full trading days up to and including the Last Trading Day; and
- iii. a discount of approximately 75.3% to the audited net asset value attributable to owners of the Company of approximately HK\$0.485 per Share as at 31 December 2016.

Each of the Issue Price and the initial Conversion Price was determined with reference to, among other things, the net asset value of the Company and the Capital Reduction (excluding the carrying value of the construction in progress of ICSC of approximately HK\$264.2 million as at 31 December 2015 after taking into account of the risks as to whether ICSC will ultimately obtain the land use rights in the industrial land and whether the business of ICSC will be viable and profitable).

In addition, each of the Issue Price and the initial Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor taking into account prolonged suspension of the trading in the Shares. Given the Shares were suspended from trading since 1 April 2014, the Board considers that the closing price of the Shares prior to the suspension cannot reflect the financial condition and valuation of the Company.

As set out in the section headed “PROPOSED DISPOSAL OF INTEREST IN ICSC”, which the Board has resolved to divest the Company’s interest in ICSC after considering the risks and uncertainties on the business of ICSC, in particular the carrying value of the construction in progress of ICSC, which amounted to approximately HK\$264.2 million as at 31 December 2015, will be derecognised from the financial statements of the Group upon completion of such disposal.

Based on the aforesaid and it is considered that the Acquisition presents an opportunity for the Company to diversify and participate in the clean energy sector and the financial performance of the Target Group is satisfactory, the Board (excluding the members of the Independent Board Committee who will provide their view after having taken advice from the Independent Financial Adviser) is of the view that the terms of the Agreement (including the Issue Price and the initial Conversion Price), which have been reached after arm’s length negotiations among the parties, are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion will be conditional upon the satisfaction or (as the case may be) waiver of the following conditions:

- i. all necessary approvals and consents required to be obtained by the Target Group and/or the Vendor from any government authority or other third party in respect of the Agreement and/or the transactions contemplated thereunder, if any, being obtained unconditionally and irrevocably;
- ii. all necessary approvals and consents required to be obtained by the Company from any government authority or other third party in respect of the Agreement and/or the transactions contemplated thereunder, if any, being obtained unconditionally and irrevocably;
- iii. the Independent Shareholders approving (a) the Agreement and the transactions contemplated thereunder; (b) the Whitewash Waiver in a general meeting of the Company held in compliance with the Listing Rules; (c) the Capital Reduction and (d) an increase in the share capital of the Company so as to facilitate the issue of the Consideration Shares and the Shares to be issued upon the conversion of the Convertible Bonds;
- iv. the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares and the Shares to be issued upon the conversion of the Conversion Bonds;

- v. approval having been obtained from the Listing Committee of the Stock Exchange for the new listing application by the Company pursuant to Rule 14.54 of the Listing Rules in relation to the Acquisition and such approval not having been revoked or withdrawn and the SFC having granted the Whitewash Waiver;
- vi. (a) the Company being satisfied with the results of the due diligence on each member of the Target Group and (b) completion of the reorganisation of the Target Group as set out in the Agreement;
- vii. the Company having received, in respect of each member of the Target Group established in the PRC, PRC legal opinions in form and substance satisfactory to the Company as to the legal establishment and valid existence of such company;
- viii. the warranties of the Vendor remaining true and accurate in all material respects and not misleading in any respect as of the Completion Date and the Vendor having performed all his obligations under the Agreement;
- ix. there having occurred since 31 December 2016 (a) no material adverse effect with respect of the Target Group, and (b) there having been promulgated, put into effect, commenced, granted or issued no statutes, regulations, procedures or administrative orders that may restrict or prohibit the transactions contemplated under the Agreement; and
- x. the Capital Reduction becoming effective.

The Company may, in its absolute discretion, waive conditions vi(a), vii, viii, ix(a) and x at any time in writing to such effect to the Vendor. None of the conditions can be waived by the Vendor. The Company has no present intention in waiving any of the conditions precedent to the Agreement.

With respect to the approvals and consents required by the Target Group and/or the Vendor referred to in condition (i) above, it is currently expected that the relevant consents will be required from the government authorities including the Provincial Department of Commerce and its authorized departments, the Regional Industry and Commerce Administration Authority, the Regional Tax Authority, Regional Foreign Exchange Authority and the Regional Development and Reform Commission.

With respect to the approvals and consents required by the Company referred to in condition (ii) above, it is currently expected that no other consents or approvals will be required except from those listed out in conditions (iii), (iv) and (v) above.

Completion will take place on the Completion Date. If the conditions have not been fulfilled or waived by the Company as the case may be by the Long Stop Date, the Agreement will become null and void and of no effect, except for clauses relating to costs and other matters, and for any antecedent breach of the Agreement.

Continuing connected transactions

Upon Completion, the Vendor will become a connected person of the Company. It is expected that after Completion, there will be continuing connected transactions between the Group and associates of the Vendor. The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules with respect to these transactions. Further details will be provided in the Circular.

EQUITY FUND RAISING IN THE LAST 12 MONTHS

The Company has not undertaken any equity fund-raising exercise in the 12 months immediately preceding the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

The table below sets out the changes in the shareholding structure of the Company as at the date of this announcement and immediately upon Completion.

Name of shareholder	As at the date of this announcement		Immediately upon the issue of the Consideration Shares		Immediately upon the issue of the Consideration Shares and full conversion of the Convertible Bonds at the initial conversion price (Note 3)	
	(Shares)	(%)	(Shares)	(%)	(Shares)	(%)
The Vendor (Note 1)	–	–	474,383,724	75.00	2,873,563,215	94.78
First Call Investments Limited	29,000,000	18.34	29,000,000	4.58	29,000,000	0.96
Other non-public Shareholder (Note 2)	2,000,000	1.26	2,000,000	0.32	2,000,000	0.07
Other public Shareholders	127,127,908	80.40	127,127,908	20.10	127,127,908	4.19
Total	<u>158,127,908</u>	<u>100.00</u>	<u>632,511,632</u>	<u>100.00</u>	<u>3,031,691,123</u>	<u>100.00</u>

Notes:

1. The Vendor confirmed that other than companies wholly and beneficially owned by him, he will not nominate any other company or person to take up the Consideration Shares and Convertible Bonds to be issued to him as a result of the Acquisition.
2. As at the date of this announcement, Ms. Zhao Wenjia who is an executive Director holds 2,000,000 Shares. Ms. Zhao Wenjia has undertaken to dispose of the 2,000,000 Shares held by her prior to Completion such that the Company can fulfil the public float requirements upon Completion.
3. For illustration purposes only and assuming that there will be no change in the issued share capital of the Company between the date of this announcement up to full exercise of the Conversion Bonds except for the issue of the Consideration Shares.

INFORMATION ON THE TARGET GROUP

Set out below is the information of the business and financial information of the Target Group based on the information provided by the Vendor.

Overview

The principal operating subsidiary of Target Group was established in the PRC with limited liability on 23 July 2003 and obtained a licence in engaging in electrical power business with effect from 28 August 2007. The business model of the Target Group primarily consists of operating the power generators and hot water supply systems, and generating revenue from the sale of electricity, heat and bath water. The major customers of the Target Group include Jiangsu Electric Power Company for the power generated, and surrounding companies in the industrial park of Xuzhou and individuals in the Jiawang district for heat and hot water processed by the Target Group.

Business

The Target Group is based in Xuzhou, Jiangsu Province. The Target Group is a cogeneration enterprise with emphasis on energy saving and environmental protection. To enrich its product portfolio, the Target Group is also equipped with hot water supply systems which enable the Target Group to supply hot water to the area. The principal products of the Target Group include power, heat and bath water.

Further details of the business of the Target Group will be disclosed in the Circular.

Financial Information

Set out below is the unaudited combined financial information of the Target Company for the two years ended 31 December 2015 and the six months ended 30 June 2016 provided by the Target Company:

	For the year ended		For the
	31 December 2014	31 December 2015	period ended
	<i>RMB'000</i>	<i>RMB'000</i>	30 June 2016
			<i>RMB'000</i>
Profit before tax	45,094	47,421	34,291
Profit after tax	33,552	35,296	25,314
Profit attributable to:			
Owners of the parent	14,993	18,764	14,437
		As at	
	31 December 2014	31 December 2015	30 June 2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net assets	129,850	165,146	190,460
Equity attributable to owners			
of the parent	77,711	96,475	110,912

Shareholders and potential investors should note that the above unaudited financial information does not meet the standard required under Rule 10 of the Takeovers Code and is subject to audit by the reporting accountants of the Target Group. Caution should be exercised when placing reliance on such unaudited financial information in the assessment of the merits and demerits of the Acquisition and/or the Whitewash Waiver, or when dealing in Shares. Shareholders and potential investors should refer to the audited financial information which will be set out in the Circular.

REASONS FOR THE ACQUISITION

The Company ceased to be engaged in the tyre-manufacturing operations in 2014. The Company has been actively exploring new businesses or investment opportunities, including diversifying the Group's business to enhance its business development and financial position.

As at the date of this announcement, the Group is principally engaged in (i) the trading of petroleum, semi-conductors, electronic products, components and timber; and (ii) the manufacturing of semi-conductors. As mentioned in the paragraph headed "PROPOSED DISPOSAL OF INTEREST IN ICSC" below, the Board has resolved to dispose of the Company's interest in ICSC. After the disposal, the Company will cease to be engaged in the trading business and the manufacturing business.

The Company considers that the Acquisition presents an opportunity for the Company to diversify and participate in the clean energy sector.

Having considered the above, the Board (excluding the members of the Independent Board Committee who will provide their view after having taken advice from the Independent Financial Adviser) is of the view that the terms of the Agreement (including the Issue Price and the initial Conversion Price), which have been reached after arm's length negotiations among the parties, are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes:

- i. a very substantial acquisition for the Company under Chapter 14 of the Listing Rules as the applicable percentage ratios in respect of the Acquisition are more than 100%;
- ii. a reverse takeover of the Company under Rule 14.06(6)(a) of the Listing Rules as the issue of the Consideration Shares will result in a change of control (as defined under the Takeovers Code) of the Company; and
- iii. a connected transaction of the Company under Rule 14A.28 of the Listing Rules as the Vendor will become a controlling Shareholder and thus a controller (as defined under Rule 14A.28(1) of the Listing Rules) upon Completion.

The Acquisition will be subject to the approval of the Independent Shareholders at the SGM.

The Acquisition constitutes a reverse takeover of the Company, and the Company will be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Acquisition will be subject to the approval by the Listing Committee of the new listing application to be made by the Company. The new listing application is required to comply with all the requirements of the Listing Rules. Ballas Capital Limited has been appointed as the sponsor in relation to the Company's new listing application.

As disclosed in the February Announcement, the Stock Exchange agreed to allow the Company to submit a new listing application on or before 30 April 2017.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the date of this announcement, the Vendor and his concert parties are not interest in any Shares.

Upon allotment and issue of the Consideration Shares as settlement of part of the consideration under the Agreement, the Vendor will become interested in 474,383,724 Shares, representing approximately 75% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. In the absence of the Whitewash Waiver, the Vendor will be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by it) under Rule 26.1(a) of the Takeovers Code.

An application to the Executive for the Whitewash Waiver will be made by the Vendor. The Whitewash Waiver, if granted by the Executive, would be subject to the approval of the Independent Shareholders at the SGM by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders, the shareholding of the Vendor and his concert parties in the Company will exceed 50%. The Vendor and its concert parties may further increase its interests in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

The Acquisition is conditional on the Vendor being granted the Whitewash Waiver and the Independent Shareholders approving the Whitewash Waiver at the SGM on a vote taken by way of a poll.

The Executive may or may not grant the Whitewash Waiver and the Independent Shareholders may or may not approve the Whitewash Waiver. The Acquisition will not proceed if the Whitewash Waiver is not so granted or approved.

The Vendor will also be issued the Convertible Bonds upon Completion. Upon full conversion of the Convertible Bonds at the initial Conversion Price of HK\$0.12, the interest of the Vendor and his concert parties in the issued Shares of the Company will increase from 75.00% to 95.78% as enlarged by the issue of the Conversion Shares.

Under the terms of the Convertible Bonds, the Convertible Bonds would only be deemed exercised on the next business day immediately following delivery of a conversion notice, after which the Company would have five business days within which to allot and issue the relevant Conversion Shares. Accordingly, no Conversion Shares will be allotted and issued prior to the allotment and issue of the Consideration Shares.

As at the date of this announcement, the Company does not consider that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the date of this announcement, the issued share capital of the Company comprises 158,127,908 Shares and the Company does not have any options, warrants or convertible securities in issue.

None of the Vendor or his concert parties:

- i. has, except for entering into the Agreement, during the 6-month period prior to the date of the February Announcement, acquired or entered into any agreement or arrangement to acquire or any voting rights in the Company;
- ii. is, except for the Consideration Shares and Convertible Bonds to be issued under Acquisition, interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the date of this announcement;
- iii. holds, controls or has direction over, as at the date of this announcement, any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company above;
- iv. has, as at the date of this announcement, borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- v. has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Acquisition and/or the Whitewash Waiver, with other persons;
- vi. has, as at the date of this announcement, made any agreement or arrangement which relates to circumstances in which he/it may or may not invoke or seek to invoke a precondition or a condition to the Acquisition and/or the Whitewash Waiver, other than the conditions precedent set out in this announcement; and
- vii. has, as at the date of this announcement, received any irrevocable commitment to vote for or against the Acquisition and/or the Whitewash Waiver.

FINANCIAL ADVISER, SPONSOR, INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Halcyon Capital Limited has been appointed as the financial adviser to the Company in relation to the resumption proposal of the Company.

Ballas Capital Limited has been appointed as the sponsor in relation to the Company's new listing application.

The Independent Board Committee has been established to advise the Independent Shareholders on the Acquisition and the Whitewash Waiver.

First Shanghai Capital Ltd. has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the Whitewash Waiver.

DESPATCH OF THE CIRCULAR

A circular giving details of, among others, the Acquisition and the Whitewash Waiver containing the notice of the SGM and the letters from the Independent Board Committee to the Independent Shareholders and from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition and the Whitewash Waiver, will be dispatched by the Company to the Shareholders as soon as practicable in accordance with the Listing Rules and the Takeovers Code.

Under Rule 14.60(7) of the Listing Rules, the Company is required to despatch the circular in relation to a very substantial acquisition within 15 Business Days after the publication of the announcement. Under Rule 8.2 of the Takeovers Code, the Company is required to despatch to Shareholders a circular in respect of, amongst others, the terms of the Acquisition and the Whitewash Waiver within 21 days from the date of publication of this announcement, that is, on or before 18 April 2017.

The Company expects that more time will be required in connection with the Acquisition and the new listing application (including but not limited to the preparation of the letter from the independent financial advisor, property valuation report and finalisation of other information to be included in the circular), the Company expects that the Circular will be despatched on or before 31 August 2017.

An application has been made by the Company to the Executive pursuant to Rule 8.2 of the Takeovers Code for the Executive's consent to extend the latest date for despatch of the Circular to 31 August 2017. The Executive has indicated that it is minded to grant its consent for such extension.

PROPOSED DISPOSAL OF INTEREST IN ICSC

Reference is made to (a) the Company's announcement dated 7 December, 2012 on the investment in ICSC and (b) its two announcements dated 25 November 2014 and 12 February 2015 respectively on ICSC's proposed acquisition of the land use rights in certain industrial land for ICSC's operations. ICSC is currently owned as to 72.79% by the Company.

The Board has considered the Risks (as defined in the Company's announcement dated 15 September 2014) and in particular, the Risks as to whether ICSC will ultimately obtain the land use rights in the industrial land and whether the business of ICSC will be viable and profitable. The Board has resolved to divest the Company's interest in ICSC having taken into account:

- (a) the current market conditions for ICSC's products,
- (b) the uncertainty in securing the land use rights of the land for ICSC's operations ; and
- (c) the additional funding requirements to support ICSC's operations including the payment of the balance of the land transfer price of RMB50.6 million.

As at the date of this announcement, the Company is actively identifying potential purchasers, and no definitive agreements have been entered into in relation to the proposed disposal. The disposal, if proceeded, will constitute a notifiable transaction of the Company under the Listing Rules. The Company expects that completion of the disposal will take place no later than Completion. The Company will issue further announcement and comply with the Listing Rules and the Takeovers Code (if applicable) if it proceeds with the disposal.

PROPOSED CAPITAL REDUCTION

The Company will effect a reduction of the credit amount standing to the share premium account of the Company and apply the same to set off the provision of bad debts (if any) and any loss related to the proposed disposal of the interest in ICSC (if any) as set out in the Company's accounts.

The Capital Reduction is subject to the satisfaction of, among other things, the passing by the Shareholders of a special resolution to approve the Capital Reduction at the SGM. Further details will be provided in the Circular.

INTERNAL CONTROL REVIEW

Background

As disclosed in the Company's announcement dated 11 November 2014, certain deficiencies/weaknesses in the Company's internal control procedures were identified, and the IC Reviewer was engaged in September 2014 to perform an assessment of the internal controls over certain corporate governance, financial procedures, systems and internal controls of the Company and ICSC (the "**First IC Review**"). The IC Reviewer was further engaged on 20 October 2016 to conduct an update review of the internal control on the Company and ICSC (the "**Updated IC Review**").

Findings

Set out below are (1) the major deficiencies identified by the IC Reviewer; (2) the proposed measures (the "**Proposed Measures**"); and (3) results of the IC Reviewer's review on the Group's implementation of the Proposed Measures:–

	(1) Major deficiencies	(2) the Proposed Measures	(3) Review on the implementation of Proposed Measures
1. The First IC Review	The administrator user right in Peachtree accounting system had been granted to both the Finance Manager and Account Clerk, whereas the administrator right could make any changes in Peachtree.	The Company should revise the access rights and administrator right should be restricted to independent personnel who is not involved in the finance operations.	The Company has since amended/ revised the user setting where only the Group Financial Controller is assigned with "full access and administrative right", while the other two finance personnel are limited to "full access".

	(1) Major deficiencies	(2) the Proposed Measures	(3) Review on the implementation of Proposed Measures
2. The First IC Review	There was no established notification and reporting mechanism for ICSC to report to the Company regarding any change of its board members	Notification and reporting mechanism for change in board members in ICSC should be established, and all information should be submitted to the Company (such as to the company secretary of the Company) for reporting and record keeping.	Policy and procedure have been established to notify the proposed change in the board of the subsidiary. After the relevant approval has been obtained from the Company, the subsidiary can proceed and then provide the Finance Manager of the Company with the relevant statutory records such as minutes, letter of appointment/ resignation, etc. for record.
3. The Updated IC Review	Internal audit function was not set up as required by C.2.5. of Appendix 14 “Corporate Governance Code and Corporate Governance Report” of the Listing Rules.	The Company should establish an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company’s risk management and internal control systems	The Company has outsourced the internal audit function to an independent service provider.

Conclusion

The IC Reviewer has come to a conclusion that from its review of the Group's implementation of the Proposed Measures, its enquiries, observations and discussions with the management of the Company, as well as its examination of relevant documents and records, the Company has remediated all major internal control deficiencies.

Having considered the Proposed Measures and the implementation of the Proposed Measures by the Company, the Board is of the view that the Company's financial reporting procedures and internal control systems are sufficient to meet the obligations under the Listing Rules.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares has been suspended since 9:00 a.m. on 1 April 2014 and will remain suspended until further notice.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings as set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Shares by the Company
“Agreement”	the agreement dated 22 November 2016 entered into among the Company and the Vendor in relation to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of the Company
“Bondholder(s)”	holder(s) of the Convertible Bond(s)
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities

“Capital Reduction”	the proposed reduction of the issued share capital of the Company by the cancellation of the paid-up capital of the Company (excluding the carrying value of the construction in progress of ICSC of approximately HK\$264.2 million as at 31 December 2015 after taking into account of the risks as to whether ICSC will ultimately obtain the land use rights in the industrial land and whether the business of ICSC will be viable and profitable)
“Circular”	the circular of the Company to be dispatched to the Shareholders in relation to, among other things, the Acquisition, the Whitewash Waiver and the Capital Reduction
“Company”	Han Tang International Holdings Limited, a company incorporated in the British Virgin Islands and continued in Bermuda with limited liability, whose issued Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	474,383,724 new Shares to be allotted and issued by the Company
“Conversion Shares”	new shares to be issued and allotted upon conversion of the Convertible Bonds
“Conversion Price”	the price at which the Conversion Shares will be issued upon exercise of the conversion rights attaching to the Convertible Bonds which is initially HK\$0.12 per Conversion Share (subject to adjustments pursuant to the terms and conditions of the Convertible Bonds);
“Convertible Bonds”	the convertible bonds in the amount of HK\$287,901,539 to be issued by the Company, with the principal terms summarised in the section headed “Convertible Bonds” in this announcement;
“Director(s)”	director(s) of the Company

“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission or any delegate of the Executive Director
“February Announcement”	the announcement of the Company dated 28 February 2017
“Group”	the Company and its subsidiaries prior to Completion
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IC Reviewer”	an independent professional firm of internal control consultants
“ICSC”	IC Spectrum (Kunshan) Co., Limited (德芯電子(昆山)有限公司), a company established in the PRC
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive directors, formed for the purpose of advising the Independent Shareholders, the Acquisition and including, for the purposes of the Whitewash Waiver, the non-executive directors
“Independent Financial Adviser”	First Shanghai Capital Ltd., the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver
“Independent Shareholders”	the Shareholders other than those (i) who are connected, interested in or involved in the Acquisition and/ or the Whitewash Waiver; (ii) the Vendor and parties acting in concert with him; and (iii) those who are required to abstain from voting at the SGM to be convened to approve the Acquisition and/or the Whitewash Waiver
“Issue Price”	the price of HK\$0.12 per Share
“Jingfeng Energy”	江蘇環鋒能源有限公司(Jiangsu Jingfeng Energy Co., Ltd.*), a company established in the PRC with limited liability

“Last Trading Day”	31 March 2014, being the last full trading day for the Shares before the suspension of trading in Shares
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2017, or such later time or date as may be agreed among the parties to the Agreement in writing
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	shares of the Target Company, representing the entire issued share capital of the Target Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisition, the Specific Mandate, the Whitewash Waiver and the Capital Reduction
“Share(s)”	ordinary shares in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the mandate to issue the Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Target Company”	the holding company of the Target Group to be incorporated in the British Virgin Islands with limited liability as part of the reorganization of the Target Group
“Target Group”	the Target Company and its subsidiaries (including the wholly owned subsidiaries (Jingfeng Energy (江蘇璟鋒能源有限公司) and Xuzhou Shenghui Pipe (徐州盛輝管道工程有限公司)) and the non- wholly owned subsidiary (Xuzhou Dongfang (徐州東方熱電有限公司))
“Whitewash Waiver”	the waiver in respect of the obligation of the Vendor to make a mandatory general offer in respect of the Shares not already owned or agreed to be acquired by the Vendor pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code upon Completion
“Vendor”	Mr. Teng Daochun (滕道春)
“Xuzhou Dongfang”	徐州東方熱電有限公司 (Xuzhou Dongfang Thermoelectricity Limited*), a company established in the PRC with limited liability and owned as to 51% by the Vendor, and the remaining 49% is owned by three individuals who are not connected persons of the Company
“Xuzhou Shenghui Pipe”	徐州盛輝管道工程有限公司 (Xuzhou Shenghui Pipe Engineering Limited*), a company established in the PRC with limited liability
“%”	per cent.

** for identification purpose only*

By Order of the Board
Han Tang International Holdings Limited
Zhao Wenjia
Chief Executive Officer

Hong Kong, 24 March 2017

As at the date of this announcement, the Board consists six Directors, namely Ms. Zhao Wenjia (Chief Executive Officer) as executive Director, Mr. Xu Lei and Ms. Gu Yawei as non-executive Directors, and Mr. Yao Yongjie, Mr. Ma Jianwei and Mr. Sinn Wai Kin Derek as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than that relating to the Vendor and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Vendor and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The Vendor accepts full responsibility for the accuracy of information contained in this announcement (other than that relating to the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.