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)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF A SUBSIDIARY

On 26 April 2017, the Company and the Purchaser entered into the Disposal Agreement.

As one of the applicable percentage ratios in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules, and is subject to announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Reference is made to the Announcement in relation to, among others, the Acquisition and the Disposal.

THE DISPOSAL

On 26 April 2017, the Company and the Purchaser entered into the Disposal Agreement. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser (i) is not directly or indirectly interested in the Shares; (ii) is not a connected person of the Company; and (iii) is independent from the connected persons of the Company, Vendor of the Acquisition, Mr. Wu and the other shareholder of ICSC.

The principal terms of the Disposal Agreement are as follows:

Subject matter

(i) the Sale Share; and
(ii) the Sale Loan.

Consideration

The aggregate consideration for the Sale Share and the Sale Loan is HKD1,000,000 which will be settled in cash upon Disposal Completion.

The consideration was determined after taking into account to (i) the financial information of the Disposed Group set out under the section headed "FINANCIAL INFORMATION ON THE DISPOSED GROUP" below; (ii) the principal amount of the Sale Loan and the potential repayment ability of the Disposed Group as explained in the paragraph below; (iii) the nil commercial value and the theoretical reference value attributable to the construction in progress of the Disposed Group, which is the principal asset of the Disposed Group, as at 31 March 2017 as explained in the paragraph below.

With respect to the Sale Loan, the Company took into account that the Disposed Group had in aggregate approximately HK$292.4 million due to the Group as disclosed in the section headed "FINANCIAL INFORMATION ON THE DISPOSED GROUP" below. However, taking into account that the Disposed Group (i) has not commenced any business and has been loss making for the previous two years; (ii) has no effective legal titles to any land or properties to maintain any operations; and (iii) cannot commence and maintain any operations without additional funding, the Company considered that there is no certainty as to when and whether the Disposed Group will eventually be able to generate any revenue to repay any part of the Sale Loan.

With respect to the value of the Disposed Group's construction in progress, the nil commercial valuation was based on a preliminary valuation conducted by Roma Appraisals Limited, which concluded a nil market value of the property as at 31 March 2017 based on the lack of title proof. The reference value of the construction in progress as at the 31 March 2017 would be approximately RMB110 million ("**Theoretical Valuation**") based on depreciated replacement cost and the assumption that all relevant title certificates have been obtained and the land and construction in progress could be freely transferred together without payment of any outstanding fee in obtaining the land use right certificate and additional construction cost to complete the construction in progress.

Taking into account the (i) Theoretical Valuation; (ii) estimated additional construction cost of completing the project of approximately RMB40 million to 50 million (based on the construction completion costs estimate (taking into account the estimated costs of raw materials (steel, cement, glass, etc), labour and engineering costs for masonry, painting and plastering) as at 31 December 2015 conducted in 2016 for the purposes of valuation of the construction in progress with an estimated additional 20% increase due to (i) inflation; and (ii) the additional touch up costs due to the wear and tear of the existing construction in progress); (iii) the lack of internal resources of the Group and the potential very high cost of debt financing to the Group in view of its financial condition (absence of revenue and a disclaimer of opinion in the 2016 annual report) and listing status (third stage of delisting) to fund the additional costs of construction and obtaining the land use rights; (iv) the cost of obtaining the land use rights (which was RMB50.6 million in 2014), the Board considers that the consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

No guarantee whatsoever will be given by the Company under the Disposal Agreement.

Conditions precedent

Disposal Completion is conditional upon:

(i) all necessary approvals and consents required to be obtained from any government authority or other third party in respect of the Disposal Agreement and/or the transactions contemplated thereunder, if any, being obtained unconditionally and irrevocably; and

(ii) the Independent Shareholders approving the Disposal Agreement and the transactions contemplated thereunder.

None of the conditions precedent can be waived. If the conditions precedent are not fulfilled on or before 31 December 2017 or such other date as agreed between the Company and the Purchaser in writing, the Disposal Agreement will cease to be of effect. Disposal Completion will take place on the Disposal Completion Date.

The Company will ensure that Disposal Completion will take place on or before Completion by ensuring that the condition (i) above will be fulfilled before the date of the SGM.

FINANCIAL INFORMATION ON THE DISPOSED GROUP

The unaudited consolidated net loss before and after tax of the Disposed Group for the two years ended 31 December 2016 were as follows:

	Year Ended 31 December 2015 *(HK$'000)*	Year Ended 31 December 2016 *(HK$'000)*
Loss before taxation	(133,939)	(1,029)
Loss after taxation	(133,939)	(1,029)

Based on the unaudited consolidated financial information of the Disposed Group, the unaudited net liabilities value of the Disposed Group as at 31 December 2016 was approximately HK$49.5 million, which included amount due to its ultimate holding company of approximately HK$142.4 million and amount due to a fellow subsidiary of approximately HK$150.0 million.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Disposal Completion, the Disposed Target will cease to be a subsidiary of the Company and the financial results of the Disposed Group will no longer be consolidated into the Group's financial statements.

In the Company's 2016 annual report dated 20 March 2017, the auditor of the Company considered that the recoverability of the construction in progress of ICSC was in doubt and the potential impairment amount was uncertain. The auditor considered that no matter what amount of impairment would be made, the effect would be material in the financial statements of the Group, therefore the auditor did not express an opinion on the financial statements. The Board agreed that there was no evidence to show how much could recover from the construction in progress of ICSC. At that time and before the date of the annual report, as the Company could not identify and has not commenced identifying a potential buyer nor entered into any agreements for the disposal, no information was available regarding the sales amount of the construction in progress of ICSC at the report date. There was no reliable market information available to determine the range of the amount of any impairment (if any).

For illustration purposes, based on the unaudited consolidated financial information of the Disposed Group as at 31 December 2016, the Group expects to record a loss of approximately HK$193.9 million upon Disposal Completion taking into account (i) the consideration of HK$1 million; (ii) the deduction of the value of the property, plant and equipment of approximately HK$246.984 million, goodwill of approximately HK$0.378 million, prepayment, deposits & other receivables of approximately HK$0.115 million, bank and cash balances of approximately HK$0.025 million and release of foreign currency translation reserve of approximately HK$18.869 million; and (iii) accruals and other payables of approximately HK$4.548 million and non-controlling interests of approximately HK$66.888 million.

Shareholders should note that the financial impact set out above is for illustrative purpose only, which will have to be ascertained with reference to the carrying value of the Sale Share and the Sale Loan upon Disposal Completion and the actual costs and expenses associated with the Disposal.

REASON FOR THE DISPOSAL AND USE OF PROCEEDS

Background information

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. Back in 2012, the principal business of the Group was the manufacturing and sales of various types of tyres for commercial vehicles, which was considered subject to an increased level of market risk. The then Board considered that the Company could use ICSC as a platform to diversify into the manufacturing of semi-conductor chips. A brief summary of the events that followed is set out below:

1. In November 2012, the Group acquired the Disposed Group for RMB1.0.

2. According to the findings of the forensic review and as disclosed in the announcement of the Company dated 15 September 2014:

    a. It was estimated that (a) the buildings and development costs would be approximately HK$400.0 million; and (b) the land costs would be approximately HK$60.0 million.

b. In December 2012, it was agreed that the other shareholder of ICSC ("**Zhongying**") would provide financing to ICSC for, including but not limited to, the construction of production plants of approximately HK$460.0 million, of which HK$108.9 million would be regarded as Zhongying's contribution to the registered capital of ICSC and HK$351.1 million would be regarded as the shareholder's loan from Zhongying to ICSC.

c. In January 2013, it was agreed between ICSC and Zhongying that upon completion of the construction of the 8-inch integrated circuits chips manufacturing factory and ancillary facilities, Zhongying transferred the same to ICSC at a consideration of HK$460 million.

d. Up to April 2013, the Group contributed approximately HK$290.0 million to ICSC as capital contribution and ICSC used such proceeds to settle the shareholder's loan from Zhongying for the transfer of buildings (which had no legal title) and development costs.

e. In July 2014, Zhongying provided a further RMB10 million as shareholders loan for use as payment of deposit for submission of tender to purchase the land use rights in respect of the land. On November 2014, ICSC entered into a land transfer contract with Kunshan State Land Resources Bureau for the acquisition of the land use rights of the Land at a cash consideration of approximately RMB50.6 million. It was originally intended that the remaining RMB40.6 million (after deducting the deposit from the consideration) would be funded by a loan from Zhongying.

f. In September 2014, the fitting-out of the plants for manufacturing purposes was yet to be carried out.

In February 2015, ICSC has not paid the remainder of the transfer price as ICSC was still in discussions with the PRC government to address certain outstanding planning issues for development of the production plant on the land.

In May 2015, the Company was placed in the first delisting stage. As part of the resumption proposal, the Board resolved to divest its interest in the Disposed Group. As at the date of this announcement, only construction of the outer frame of the structure is complete while works for stabilising the structure has not commenced. No outer walls or windows have been installed at the front of the structure, it is neither furnished nor fit for occupation.

The Disposed Target is principally engaged in investment holding and through a direct wholly owned subsidiary (Bright Eagle) which is principally engaged in investment holding, holds 72.79% equity interest in ICSC. ICSC currently carries no business and its major asset is certain properties construction in progress in Kunshan, the PRC. Upon Disposal Completion, the Company will cease to have any interest in ICSC.

The net proceeds from the Disposal, after deducting the estimated expenses in relation to the Disposal, will be approximately HK$0.8 million. The Company intends to apply the proceeds as general working capital of the Group.

As at the date of this announcement, the Group is principally engaged in (i) the trading of semi-conductors, electronic products, components and timber; and (ii) the manufacturing of semi-conductors. Nevertheless, as stated in the annual report of the Company for the year ended 31 December 2016, the Group's strategies are to maintain the Group's sustainable development and maximise shareholders' interest. During the year ended 31 December 2016, the Board has actively seeked and identified potential acquisition targets, while there was no turnover in the year ended 31 December 2016. Given the Group intended to use ICSC as a platform to diversify into manufacturing of semi-conductor chips, the Company will cease to be engaged in the manufacturing business upon Disposal Completion. Meanwhile, after the Disposal, the Company will also cease to be engaged in the trading business and will diversify and participate in the clean energy sector upon Completion.

Taking into account (i) the findings in the forensic review, which was originally conducted to address the statement in the resignation letter of a then Director who stressed that a forensic audit was required to investigate certain payments made by ICSC and to confirm there was no fraud or misappropriate of funds on the investment of ICSC, set out in paragraphs 7 to 22 of the September 2014 Announcement which highlighted significant potential risks ("**Risks**") as to (1) how the minority shareholder of ICSC used or will use the funds received from ICSC; (2) whether ICSC will ultimately obtain the legal title of land and building at or below a cost anticipated by the Company; and (3) whether the project will be viable and profitable; (ii) the resumption condition of addressing the findings of the forensic review as stated in the announcement of the Stock Exchange dated 8 June 2016, and (iii) the proximity of the costs required to realise the theoretical reference value including (a) the costs of construction and obtaining the land use rights; and (b) the potential ability, time and costs required to obtain the relevant financing relative to the theoretical reference value, the Board considered that the Disposal can address the findings of the forensic review which is also a resumption condition while removing uncertainties with respect to the viability of ICSC's business (i.e. the Risks).

After Disposal Completion, the Board considered that the Group may move forward with its strategic diversification into the business of clean energy sector as part of the resumption proposal which includes the proposed Acquisition. In this respect, during the commercial negotiation between the Company and the Vendor in relation to the Acquisition, in particular 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 Share Premium Cancellation (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).

After submission of the resumption proposal, the Company appointed an independent agent and began discussions about the proposed Disposal in November 2016. The agent and the Company discussed, among other things, about the status of the PRC market. In 2017, the agent commenced the search for the potential buyer. None of the few potential investors approached by the agent was interested in the Disposed Group. In April 2017, the Purchaser was identified by the independent agent. The Board then engaged an independent valuer to conduct a preliminary valuation of the construction in progress. Apart from the Purchaser, the Company did not receive any feedback from any potential purchasers showing any interests at all in the Disposed Group. The Board considered even if it waited for another month or two, there would unlikely be any material improvement in the PRC property market or it would unlikely to identify a few more potential purchasers willing to offer a higher price under the same terms (including the conditions precedent required and the absence of guarantees or indemnities) of the Disposal Agreement. As Completion (which is essential to the Company's resumption of trading and listing status) could only take place after Disposal Completion, the Board considered that delaying the entering into of the Disposal Agreement was not in the interests of the Company and Shareholders as a whole and, as such, agreed to the Disposal Agreement under the terms as disclosed.

Based on the information provided by the Purchaser, the Purchaser is principally engaged in the business of investments in technology, semi-conductor facilities, chips distribution and property investments.

The Board is of the view that the terms of the Disposal Agreement (including the consideration), 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

As one of the applicable percentage ratios in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules, and is subject to announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

A circular containing, among other matters, (i) further details of the Disposal Agreement and the transaction contemplated thereunder; (ii) a valuation report on the Disposed Target; (iii) other information as required to be disclosed under the Listing Rules; and (iv) the notice of the SGM, will be dispatched to the Shareholders.

It is currently expected that the Company will set out such details and information in relation to the Disposal in the circular in relation to the Acquisition and the Whitewash Waiver, which will be despatched to the Shareholders on or before 31 August 2017.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings:

"Acquisition"	the proposed acquisition of the shares of the Target Company, representing the entire issued share capital of the Target Company by the Company
"Announcement"	the announcement of the Company dated 24 March 2017 in relation to, among others, the Acquisition and the proposed disposal of its interest in ICSC
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of the Company
"Bright Eagle"	Bright Eagle Holdings Limited, a company incorporated in Hong Kong with limited liability and directly wholly owned by the Disposed Target
"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
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the entire issued capital of the Disposed Target
"Disposal Agreement"	the agreement dated 26 April 2017 in relation to the Disposal
"Disposal Completion"	completion of the Disposal
"Disposal Completion Date"	the third business day upon satisfaction of the conditions set out under the paragraph headed "Conditions Precedent" of this announcement
"Disposed Group"	the Disposed Target and its subsidiaries (Bright Eagle and ICSC)
"Disposed Target"	Tech One Investments Limited, a company incorporated in the British Virgin Islands with limited liability
"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
"ICSC"	IC Spectrum (Kunshan) Co., Limited (德芯電子(昆山)有限公司), a company established in the PRC
"Independent Shareholders"	Shareholders other than (i) the Purchaser and her associates; or (ii) those who are interested in or involved in the Disposal

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wu"	Mr. Wu Zhao (吳兆), who entered into an agreement dated 24 May 2017 with the Company in relation to the transfer of the special purpose vehicle that holds the equity interest in and shareholder's loan of 江蘇璟鋒能源有限公司(Jiangsu Jingfeng Energy Co., Ltd.*), details of which are disclosed in the announcement of the Company dated 24 May 2017
"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
"Purchaser"	Ms. Chen Liujing (陳柳靜)
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Loan"	all the loans due from and owing by members of the Disposed Group to members of the Group (other than the Disposed Group) as at Disposal Completion
"Sale Share"	the entire issued capital of the Disposed Target
"September 2014 Announcement"	the announcement of the Company dated 15 September 2014
"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 Disposal and the Whitewash Waiver
"Share Premium Cancellation"	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company as at the date of the SGM
"Share(s)"	ordinary shares in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"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 (Jiangsu Jingfeng Energy Co., Ltd.* (江蘇璟鋒能源有限公司) and Xuzhou Shenghui Pipe Engineering Limited* (徐州盛輝管道工程有限公司)) and the non- wholly owned subsidiary (Xuzhou Dongfang Thermoelectricity Limited*) (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 Hong Kong Code on Takeovers and Mergers and Share Buy-backs upon Completion
"Vendor"	Mr. Teng Daochun (滕道春)
"%"	per cent.

** for identification purposes*

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

Hong Kong, 22 June 2017

As at the date of this announcement, the Board consists of 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.