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LOUDONG GENERAL NICE RESOURCES (CHINA) HOLDINGS LIMITED

樓東俊安資源(中國)控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 988)

**MAJOR TRANSACTION:
DISPOSAL OF 100% EQUITY INTEREST IN
BUDDIES POWER ENTERPRISES LIMITED**

THE DISPOSAL

On 26 June 2017 (after trading hours of the Stock Exchange), the Company and the Purchaser entered into the Agreement, pursuant to which the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Buddies Power (a wholly-owned subsidiary of the Company) for a cash consideration of HK\$8,000,000.

GENERAL

As all the relevant percentages exceed 25% but below 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the requirement of reporting, announcement and approval of the Shareholders at the SGM.

An SGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, to approve the Disposal. The voting in relation to the Disposal at the SGM will be conducted by way of a poll and no Shareholder is required to abstain from voting at the SGM.

A circular containing, among other matters, further details of the Disposal, a notice of the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 July 2017 as additional time is required for preparing relevant information for the circular.

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THE AGREEMENT

The salient terms of the Agreement are as follows:

Date

26 June 2017

Parties

Vendor: The Company

Purchaser: Champ Noble Limited

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding. It is also the holder of 5.52% equity interest in Shanxi Loudong (which is the major operating subsidiary of the Disposed Group). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Subject to the terms and conditions of the Agreement, the Company agreed to sell and the Purchaser agreed to purchase the entire issued share capital in Buddies Power for a cash consideration of HK\$8,000,000.

Consideration

The Consideration of HK\$8,000,000 shall be payable by the Purchaser to the Company in cash in the following manner:

- (i) as to HK\$1,000,000, being the non-refundable deposit, within seven (7) days after the signing of the Agreement; and
- (ii) as to the remaining HK\$7,000,000 upon Completion.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser and with reference to the continuous loss making performance and net liabilities position of the Disposed Group.

Having considered the above and the factors described under the section headed "Reasons for and the benefits of the Disposal" below, the Directors consider that the Consideration is fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Agreement is conditional upon, among other things, the satisfaction of the following conditions:

- (i) the passing by the Shareholders at the SGM of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder;
- (ii) the obtaining of all the relevant consents, authorisations, licenses and permits in relation to the Disposal, including but not limited to, the permits and approvals from PRC regulators (if applicable) remain in full effective;
- (iii) all necessary consents and approvals required to be obtained on the respective part of the Company in respect of the Agreement and the transactions contemplated thereunder having been obtained;

- (iv) all necessary consents and approvals required to be obtained on the respective part of the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;
- (v) the warranties given by the Company in the Agreement remaining true and accurate and not misleading; and
- (vi) the warranties given by the Purchaser in the Agreement remaining true and accurate and not misleading.

The Purchaser may at any time in writing waive condition (v) above. The Company may at any time in writing waive condition (vi) above. Save as disclosed, none of the other conditions precedent are capable of being waived by the parties to the Agreement. If any of the conditions precedent above have not been satisfied (or waived as the case may be) by 4:00 p.m. on 30 September 2017 (or such later date as the Company and the Purchaser may agree), the Agreement shall cease, the Company shall be entitled to keep the non-refundable deposit in any event and neither party thereto shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion of the Disposal

Completion shall take place at 4:00 p.m. on the third Business Days after all the conditions of the Agreement have been fulfilled or waived (as the case may be) or such other date as may be agreed between parties thereto.

Upon Completion, the Company will no longer have any interest in the Disposed Group and the companies in the Disposed Group will cease to be subsidiaries of the Company. The financial results of the Disposed Group will cease to be consolidated into the accounts of the Group.

INFORMATION OF THE DISPOSED GROUP

Buddies Power is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. Buddies Power, through its subsidiaries, indirectly holds 94.48% equity interest in Shanxi Loudong.

Shanxi Loudong is a company established in the PRC and is the major operating subsidiary of the Disposed Group. It is principally engaged in coal processing and production of relevant chemicals in the PRC and trading of coke. It also holds 99% equity interest in Xiaoyi Junlou Ke Mao Limited[#] (孝義市俊樓科貿有限公司), which is a company established in the PRC and has no operation as at the date of this announcement.

Set out below is the unaudited consolidated financial information of the Disposed Group for the two years ended 31 December 2015 and 2016:

	For the year ended 31 December 2016 unaudited (HK'000)	For the year ended 31 December 2015 unaudited (HK'000)
Revenue	764,911	1,238,648
Loss before taxation	(565,378)	(611,467)
Loss after taxation	(617,400)	(863,132)

As at 31 December 2016, the unaudited net liabilities of the Disposed Group were approximately HK\$2,733 million, and the Intercompany Balances were approximately HK\$1,971 million. The Intercompany Balances were waived by the Company as a pre-condition for the entering into of the Agreement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Company is an investment holding company. The Group is principally engaged in coke processing and manufacture of relevant chemicals, the trading of commodities, exploration, production and sale of oil as well as the provision of well services and logistics and warehousing business.

The performance of the Disposed Group has not been satisfactory since 2012. As disclosed in the annual report of the Company for the year ended 31 December 2016, the coke manufacturing segment carried on by Shanxi Loudong continued to be the primary loss-making unit of the Group in 2016, suffering its fourth consecutive year of heavy loss, amidst a tepid domestic market in the PRC and the downturn of the commodities market leading to sharp drop in revenues, regardless of the price hike of coke noticed in the second half of the year.

On the other hand, the results of other segments of the Group, namely commodities trading segment, logistics and warehousing segment and oil segment, were satisfactory and growing. The Company constantly explores potential opportunities in specific commodities and resources, such as iron ore, coal and oil, along with logistics warehousing businesses in the PRC and overseas.

In 2016, revenues derived from the coke manufacturing division plummeted 56.7% to about HK\$536,724,000 from approximately HK\$1,238,648,000 a year earlier. Coke manufacturing segment loss amounted to approximately HK\$579,416,000, similar to approximately HK\$596,655,000 segment loss recorded in 2015. Coking industry in the PRC is expected to remain lackluster owing to Beijing's sharper environmental focus, industry overcapacity and swinging government policies in regulating end-users in property and infrastructure investments. Coking plants and steel mills in major production areas – Hebei, Shanxi and Shandong provinces – will be subject to further production cut and restrictions to combat rampant smog that grappled northern China in winter. As outlook for coking business appears uninspiring after four years of consecutive loss while the 20-year old coking facilities of Shanxi Loudong are considered obsolete and environmental unfriendly, it is an opportune moment to reassess the divestment alternative to better employ the Group's resources for other positive and stable return assets.

As a whole, considering the aforesaid factors regarding the business prospect of the PRC coking industry and its financial performance in recent years, the Directors believe that the Disposal provides an exit opportunity to the Group to cease the immediate financial burden impacted on the Group by the Disposed Group.

Taking into account the abovementioned factors, the Directors consider that the terms and conditions of the Disposal are fair and reasonable and on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

USE OF PROCEEDS

The net proceeds from the Disposal will be approximately HK\$5,500,000, which will be used for general working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Company will no longer have any interest in the Disposed Group and the companies in the Disposed Group will cease to be subsidiaries of the Company. The financial results of the Disposed Group will cease to be consolidated into the accounts of the Group.

Upon Completion, the Disposal is expected to accrue a gain before tax of approximately HK\$840 million, which is estimated based on the Consideration and the net liabilities of the Disposed Group upon waiver of the Intercompany Balances.

The actual gain to be recognised by the Group is subject to the unaudited management accounts of the Disposed Group upon Completion.

GENERAL

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An SGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, to approve the Disposal. The voting in relation to the Disposal at the SGM will be conducted by way of a poll and no Shareholder is required to abstain from voting at the SGM.

A circular containing, among other matters, further details of the Disposal, a notice to convene the SGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 31 July 2017 as additional time is required for preparing relevant information for the circular.

The Board wishes to emphasise that the Disposal is subject to a number of conditions precedent, which may or may not be fulfilled or waived (as the case may be). Shareholders and potential investors of the Company should exercise caution when they deal or contemplate dealing in the Shares.

DEFINITIONS

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

“Abterra”	Abterra Coal & Coke Limited, a company incorporated in Hong Kong with limited liability, and an indirect wholly-owned subsidiary of the Company
“Agreement”	the sale and purchase agreement dated 26 June 2017 and entered into among the Company and the Purchaser in relation to the Disposal
“Board”	the board of Directors
“Buddies Power”	Buddies Power Enterprises Limited, a company incorporated in the BVI, and a wholly-owned subsidiary of the Company
“Business Days”	any day (other than Saturday and Sunday and public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. to 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Loudong General Nice Resources (China) Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on Stock Exchange under stock code: 988
“Completion”	completion of the Disposal
“Consideration”	HK\$8,000,000, being the consideration for the Disposal
“Director(s)”	the director(s) of the Company

“Disposal”	the sale of the entire issued share capital of Buddies Power by the Company to the Purchaser pursuant to the Agreement
“Disposed Group”	Buddies Power and its subsidiary
“GNLC”	General Nice-Loudong Coal & Coke Limited, a company incorporated in the BVI, and an indirect wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) who, together with his/her ultimate beneficial owner(s), is/are persons independent of the Company and its connected persons (within the meaning of the Listing Rules)
“Intercompany Balances”	the outstanding balance owing by Buddies Power to the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Champ Noble Limited, a company incorporated in Hong Kong with limited liability, and an Independent Third Party and the holder of 5.52% equity interest in Shanxi Loudong
“SGM”	the special general meeting of the Company to be held and convened to consider and, if thought fit, approve the Disposal
“Shanxi Loudong”	Shanxi Loudong-General Nice Coking & Gas Co., Ltd. (山西樓東俊安煤氣化有限公司), an indirect non wholly-owned subsidiary of the Company established in the PRC

“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
%	per cent.

The English transliteration of the Chinese name in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

By order of the Board
Loudong General Nice Resources (China) Holdings Limited
Ng Tze For
Executive Director

Hong Kong, 26 June 2017

As at the date of this announcement, the Board consists of three executive Directors, namely Ms. Gao Zhenyun, Mr. Zhao Cheng Shu and Mr. Ng Tze For and four independent non-executive Directors, namely Ms. Choy So Yuk, Mr. Leung Yuen Wing, Mr. Wu Zhao and Mr. Zhu Dengkai.