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## **CHINA HUIYUAN JUICE GROUP LIMITED**

**中國滙源果汁集團有限公司\***

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

**(Stock Code: 1886)**

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE**

#### **PROVISION OF FINANCIAL ASSISTANCE**

During the period from 15 August 2017 to 29 March 2018, the Company provided the Relevant Loans to Beijing Huiyuan Beverage as part of the arrangement between the Company and Beijing Huiyuan Beverage for the Group to provide short term loans to Beijing Huiyuan Beverage to meet the temporary working capital requirement of, and/or debt repayment by, Beijing Huiyuan Beverage.

Beijing Huiyuan Beverage, being an associate of Mr. Zhu, the controlling shareholder of the Company and a Director, is a connected person of the Company as defined under Rule 14A.11(4) of the Listing Rules. As such, the Relevant Loans and the transactions contemplated under the Loan Agreement constitute a connected transaction for the Company as defined under Rule 14A.14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Loan Agreement and the Relevant Loans are more than 5%, the Relevant Loans, the Loan Agreement and the transactions thereunder are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Loan Agreement and the Relevant Loans exceeds 25%, the transaction contemplated thereunder also constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Further, as the aggregate amount of the Relevant Loans granted to Beijing Huiyuan Beverage exceeds 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules, the provision of the Relevant Loans is subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

The Company acknowledges that the failure by the Company to comply with the reporting, announcement and the Independent Shareholders' approval requirements in respect of the Relevant Loans constituted non-compliance with Rule 13.16 and Chapters 14 and 14A of the Listing Rules. The Board recognises, for the avoidance of future occurrence of non-compliance at the Listing Rules, the need to enhance its internal control and compliance measures. The Board intends to take the necessary actions and procedures, including but not limited to arranging for the provision of additional training on regulatory compliance matters to the relevant Directors and senior management of the Group, and the engagement of a compliance advisor, to prevent the future re-occurrence of such Listing Rules non-compliance. The Company will further update the Shareholders of the aforesaid in due course.

As no written agreement was previously entered for the abovementioned arrangement between the Company and Beijing Huiyuan Beverage in relation to the provision of the Relevant Loans, the Company (as lender) on 29 March 2018 entered into the Loan Agreement with Beijing Huiyuan Beverage (as borrower) to document in writing the agreement between the parties on the Relevant Loans and to terminate such arrangement, so as to comply with the requirements of the Listing Rules.

Given that the loan arrangement under the Loan Agreement has been terminated as at the date of this announcement, and all the principal and interest accrued under the Relevant Loans have been repaid to the Group in full, no EGM will be held to ratify the Loan Agreement and the transactions contemplated thereunder (including the Relevant Loans). Instead, a circular containing, among other things, (a) further details of the Relevant Loans and the Loan Agreement; (b) a letter of advice containing the recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder (including the Relevant Loans); and (c) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder will be despatched to the Shareholders for their information only on or before 24 April 2018.

## **PROVISION OF FINANCIAL ASSISTANCE**

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The principal terms of the Loan Agreement are set out below:

<b>Date:</b>	29 March 2018
<b>Effective Date:</b>	the Loan Agreement will be effective retroactively from 15 August 2017
<b>Lender:</b>	the Company
<b>Borrower:</b>	Beijing Huiyuan Beverage
<b>Principal amount:</b>	up to an aggregate amount of RMB5,000 million may be lent by the Company to Beijing Huiyuan Beverage
<b>Purpose:</b>	to provide funding for temporary working capital and/or debt repayment of Beijing Huiyuan Beverage and its affiliates
<b>Term:</b>	a period of not more than 360 days from the date which the Relevant Loans are transferred to the Beijing Huiyuan Beverage's bank account, provided that all principal amount and accrued interest shall be repaid by 29 March 2019
<b>Interest rate:</b>	10% per annum
<b>Repayment:</b>	the principal amount, together with the accrued interest, shall be repaid at the end of the term of the Relevant Loans or 29 March 2018, whichever is earlier
<b>Early Repayment:</b>	the Relevant Loans may be repaid at any time prior to the end of the term of the Relevant Loans
<b>Security:</b>	nil.

The terms of the Loan Agreement (including the interest rate) were determined after arm's length negotiation between the Company and Beijing Huiyuan Beverage after having taken into account (i) the 1-year People's Bank of China reference rate for loans, (ii) the amount and term of the Loan Agreement, and (iii) the terms (including interest returns) of comparable financial products available in the market.

The Relevant Loans were funded by internal resources and/or bank borrowings of the Group.

### **Further Information And Current Status Of The Relevant Loans**

During the period from 15 August 2017 to 29 March 2018, the Company provided the Relevant Loans in the aggregate principal amount of approximately RMB4,282 million to Beijing Huiyuan Beverage based on arrangement reached between the Company and Beijing Huiyuan Beverage. As at the date of this announcement, all the Relevant Loans (including interests accrued) have been repaid by Beijing Huiyuan Beverage in full, and the loan arrangement under the Loan Agreement has been terminated.

## **Reasons for and benefits of the Relevant Loans and the Loan Agreement**

Since June 2017, the Group has had significant RMB cash deposits in its onshore RMB bank accounts. However, due to limited investment opportunities available to the Group onshore, the Group has not been able to efficiently utilise its RMB funds. At the same time, the Group continued to incur significantly funding cost arising from interest payments to bank lenders and holders of debt securities issued by the Company. The Relevant Loans thus allowed the Group to deploy its excess capital more efficiently and allow the Group to collect significant interest income that can be used to offset the Group's funding costs. The entering into of the Loan Agreement will further document in writing the arrangement between the Company and Beijing Huiyuan Beverage in relation to the provision of the Relevant Loans and ensure compliance with the requirements of the Listing Rules.

In view of the above, the Directors (excluding the independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the independent financial adviser to be appointed by the Company) consider that the terms of the Loan Agreement and the Relevant Loans were entered into on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **General Information of the Parties**

The Company is an investment holding company, with its principal subsidiaries primarily engaged in the manufacturing of juice beverage products.

Beijing Huiyuan Beverage is an investment holding company, with its principal subsidiaries primarily engaged in manufacturing of fruit juice concentrates, fruit purees, fructose and packaging materials.

## **Listing Rules Implications**

Beijing Huiyuan Beverage, being an associate of Mr. Zhu, the controlling shareholder of the Company and a Director, is a connected person of the Company as defined under Rule 14A.11(4) of the Listing Rules. As such, the Relevant Loans and the transactions contemplated under the Loan Agreement constitute a connected transaction for the Company as defined under Rule 14A.14 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of the Loan Agreement and the Relevant Loans are more than 5%, the Relevant Loans, the Loan Agreement and the transactions thereunder are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Loan Agreement and the Relevant Loans exceeds 25%, the transaction contemplated thereunder also constitutes a major transaction of the Company and is subject to the notification, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Further, as the aggregate amount of the Relevant Loans granted to Beijing Huiyuan Beverage exceeds 8% under the assets ratio defined under Rule 14.07(1) of the Listing Rules, the provision of the Relevant Loans is subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

The Company acknowledges that the failure by the Company to comply with the reporting, announcement and the Independent Shareholders' approval requirements in respect of the Relevant Loans constituted non-compliance with Rule 13.16 and Chapters 14 and 14A of the Listing Rules. The Board recognises, for the avoidance of future occurrence of non-compliance at the Listing Rules, the need to enhance its internal control and compliance measures. The Board intends to take the necessary actions and procedures, including but not limited to arranging for the provision of additional training on regulatory compliance matters to the relevant Directors and senior management of the Group, and the engagement of a compliance advisor, to prevent the future re-occurrence of such Listing Rules non-compliance. The Company will further update the Shareholders of the aforesaid in due course.

## **General**

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders regarding the Loan Agreement and the transactions contemplated thereunder and an independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Given that the loan arrangement under the Loan Agreement has been terminated as at the date of this announcement, and all the principal and interest accrued under the Relevant Loans have been repaid to the Group in full, no EGM will be held to ratify the Loan Agreement and the transactions contemplated thereunder (including the Relevant Loans). Instead, a circular containing, among other things, (a) further details of the Relevant Loans and the Loan Agreement; (b) a letter of advice containing the recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder (including the Relevant Loans); and (c) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Loan Agreement and the transactions contemplated thereunder will be despatched to the Shareholders for their information only on or before 24 April 2018.

## **DEFINITIONS**

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Beijing Huiyuan Beverage”	Beijing Huiyuan Beverage & Food Group Co., Ltd.* (北京滙源飲料食品集團有限公司), a company established in the PRC with limited liability
“Board”	board of the Directors of the Company

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Company”	China Huiyuan Juice Group Limited (中國滙源果汁集團有限公司*), an exempted company established under the laws of the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising all of the independent non-executive directors of the Company
“Independent Shareholders”	Shareholders other than China Hui Yuan Juice Holdings Co., Ltd. and any of its associates and any Shareholder who is interested or involved in the Relevant Loans and the transactions contemplated under the Loan Agreement (other than as a Shareholder)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 29 March 2018 entered into between the Company and Beijing Huiyuan Beverage documenting the arrangement between the parties in relation to the provision of the Relevant Loans
“Mr. Zhu”	Mr. Zhu Xinli, the controlling shareholder of the Group who is also an executive Director, the chairman of the Board and the president of the Group
“PRC”	The People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Relevant Loans”	the loans provided by the Company to Beijing Huiyuan Beverage in the aggregate amount of approximately RMB4,282 million, the terms of which are documented by the Loan Agreement
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholders” the shareholders of the Company  
“Stock Exchange” The Stock Exchange of Hong Kong Limited  
“%” per cent.

By order of the Board  
**China Huiyuan Juice Group Limited**  
**Zhu Xinli**  
*Chairman*

Beijing, 29 March 2018

*As at the date of this announcement, the Directors of the Company are Mr. ZHU Xinli, Ms. ZHU Shengqin, Mr. CUI Xianguo and Ms. JU Xinyan as executive Directors, Mr. Andrew Y. YAN and Mr. HUI Ching Lau as a non-executive Directors, Ms. ZHAO Yali, Mr. SONG Quanhou, Mr. LEUNG Man Kit and Mr. WANG Wei as independent non-executive Directors.*

\* *For identification purposes only*