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**恒安國際集團有限公司\***

**HENGAN INTERNATIONAL GROUP COMPANY LIMITED**

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

**(Stock code: 1044)**

Websites: <http://www.hengan.com>

<http://www.irasia.com/listco/hk/hengan>

## **CONNECTED TRANSACTION**

### **ACQUISITION OF THE ENTIRE EQUITY INTEREST IN WEIFANG POWER**

#### **THE ACQUISITION**

The Board is pleased to announce that, on 27 December 2017, Hengan Mega Jumbo and Hengan China Investment (each a wholly-owned subsidiary of the Company), entered into the Agreement to collectively acquire the entire equity interest in Weifang Power (a connected person to the Company), an electricity generation company which the Group has previously entered into continuing connected transactions with for its supply of electricity and heat energy to certain subsidiaries of the Company in Shandong Province of the PRC.

The Board believes that the Acquisition contemplated under the Agreement will further enhance overall manufacturing costs efficiency by internalising part of the required electricity and heat energy supply, while securing a steady electricity and heat energy supply to its major manufacturing operations.

#### **LISTING RULES IMPLICATIONS**

Since all applicable percentage ratios for the Acquisition under the Listing Rules are more than 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements but is exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

\* *For identification purposes only*

## THE ACQUISITION

On 27 December 2017, Hengan Mega Jumbo and Hengan China Investment (each a wholly-owned subsidiary of the Company), entered into the Agreement to collectively acquire the entire equity interest in Weifang Power (a connected person to the Company), an electricity generation company which the Group has previously entered into continuing connected transactions with for its supply of electricity and heat energy to certain subsidiaries of the Company in Shandong Province of the PRC. Further information on such continuing connected transactions is set out in the Company's announcement dated 12 December 2016.

Upon signing of the Agreement, Weifang Power is no longer a connected person of the Group and services provided by it to the Group are no longer considered as connected transactions under the Listing Rules. Weifang Power will continue to provide electricity and heat energy to the Group as a subsidiary of the Company.

Date of Agreement	:	27 December 2017
Purchasers	:	(i) Hengan Mega Jumbo (as purchaser of 95% of the equity interest in Weifang Power from Advance Asia) (ii) Hengan China Investment (as purchaser of 5% of the equity interest in Weifang Power from Weifang Henglong)
Vendors	:	(i) Advance Asia (as seller of 95% of the equity interest in Weifang Power to Hengan Mega Jumbo) (ii) Weifang Henglong (as seller of 5% of the equity interest in Weifang Power to Hengan China Investment)
Subject Matter	:	Pursuant to the Agreement, the Vendors have agreed to sell, and the Purchasers have agreed to acquire, the entire equity interest in Weifang Power.
Consideration and Payment Terms	:	The total consideration for the Acquisition is RMB150 million, which was determined and agreed between the parties based on arm's length negotiations and with reference to the valuation of Weifang Power issued by an independent valuer as at 27 December 2017.  The consideration shall be paid in cash to each of the Vendors within three business days upon the signing of the Agreement and the satisfaction or waiver of customary conditions precedent (such as receiving any third party consents or waivers and no changes to the assets, financial and business positions of Weifang Power which could have a material negative impact on it) set out in the Agreement.

The amount payable by each of the Purchasers to the Vendors will be in proportion to their equity interest in Weifang Power before and after the Acquisition, such that Hengan Mega Jumbo will pay RMB142.5 million to Advance Asia and Hengan China Investment will pay RMB7.5 million to Weifang Henglong as consideration for the Acquisition.

Completion Arrangements : Unless otherwise agreed, it is expected that completion shall take place upon payment of the consideration within three business days from the date of the Agreement.

The profit and loss of Weifang Power during the period from the date of the Agreement to completion shall be enjoyed or borne by the Purchasers.

## INFORMATION ON WEIFANG POWER

Weifang Power is a sino-foreign equity joint venture incorporated in the PRC with a registered capital of US\$12,000,000, which is held by Advance Asia and Weifang Henglong as to 95% and 5% respectively immediately prior to the completion of the Acquisition. Weifang Power is principally engaged in the supply of heat energy and electricity in the PRC. The original cost incurred by each of Advance Asia and Weifang Henglong was US\$11.4 million and US\$0.6 million respectively. The valuation of the entire equity interest of Weifang Power as at 27 December 2017 was RMB150 million, as appraised by an independent valuer which was arrived at based on the market approach.

Based on the unaudited accounts of Weifang Power, the unaudited net asset value of Weifang Power as at 31 October 2017 was approximately RMB166 million. The financial information of Weifang Power for the two financial years ended 31 December 2016 and the ten months ended 31 October 2017 were as follows:

	<b>For the year ended 31 December 2015 (RMB'000)</b>	<b>For the year ended 31 December 2016 (RMB'000)</b>	<b>For the ten months ended 31 October 2017 (RMB'000)</b>
Net profit before taxation	7,887	51,489	(13,098)
Net profit after taxation	1,017	45,287	(13,587)

## REASONS FOR AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the trading, manufacturing, distribution and sale of personal hygiene products, in the PRC, Hong Kong and certain overseas markets, and has major manufacturing operations in Weifang, Shandong Province of the PRC. The manufacturing operations require steady electricity and heat energy supply and the Group has been entering into continuing connected transactions with Weifang Power for the supply of electricity and heat energy since 2006.

The Board believes that the Acquisition contemplated under the Agreement will further enhance overall manufacturing costs efficiency by internalising part of the required electricity and heat energy supply, while securing a steady electricity and heat energy supply to its major manufacturing operations.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement are on normal commercial terms and fair and reasonable after arm's length negotiations between the parties, and the Acquisition is in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Vendors are connected persons of the Company for the purposes of the Listing Rules since:

1. Advance Asia is owned by Mr. Hui Ching Lau and Mr. Sze Wong Kim, an executive Director of the Company, as to 61% and 39% respectively;
2. Weifang Henglong is wholly owned by Mr. Hong Shao Yi;
3. Mr. Hui Ching Lau is a son of Mr. Hui Lin Chit and a brother of Mr. Hui Ching Chi, who are respectively the deputy Chairman, the chief executive officer, an executive Director and a substantial Shareholder of the Company, and an executive Director of the Company;
4. Mr. Sze Wong Kim is the son of Mr. Sze Man Bok, the Chairman, an executive Director and a substantial Shareholder of the Company; and
5. Mr. Hong Shao Yi is a son of Mr. Hung Ching Shan, an executive Director and one of the founding Shareholders of the Company.

Accordingly, the Acquisition constitutes a connected transaction of the Company for the purposes of the Listing Rules.

Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Sze Wong Kim and Mr. Hui Ching Chi, being Directors having a material interest in the Acquisition and having declared their potential conflict of interests in the Acquisition, have abstained from voting on the resolutions at the meeting of the Board at which the Acquisition was considered and approved.

Since all applicable percentage ratios for the Acquisition under the Listing Rules are more than 0.1% but less than 5%, the Acquisition is subject to reporting and announcement requirements but is exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of the entire equity interest in Weifang Power by the Group
“Advance Asia”	Advance Asia International Limited (晉亞國際有限公司), a company incorporated in the Independent State of Samoa with limited liability
“Agreement”	the equity transfer agreement entered into by the Purchasers and the Vendors on 27 December 2017 in relation to the Acquisition
“Board”	board of Directors
“Company”	Hengan International Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company together with its subsidiaries
“Hengan China Investment”	恒安(中國)投資有限公司 (Hengan (China) Investment Co., Ltd.*), a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Hengan Mega Jumbo”	Hengan Mega Jumbo Investments Limited 恒安珍寶投資有限公司, a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s republic of China, and for the purpose of this announcement, excluding Hong Kong, The Macau Special Administrative Region and Taiwan
“Purchasers”	Hengan Mega Jumbo and Hengan China Investment
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Advance Asia and Weifang Henglong
“Weifang Henglong”	濰坊恒隆投資有限公司 (Weifang Henglong Investment Co. Ltd.*), a company incorporated in the PRC with limited liability
“Weifang Power”	濰坊恒安熱電有限公司 (Weifang Hengan Thermal Power Co., Ltd.), a sino-foreign equity joint venture incorporated in the PRC with a registered capital of US\$12,000,000

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By order of the Board  
**Hengan International Group Company Limited**  
**Sze Man Bok**  
*Chairman*

Hong Kong, 27 December 2017

*As at the date of this announcement, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Shui Shen, Mr. Xu Da Zuo, Mr. Xu Chun Man, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Li Wai Leung as executive directors, and Mr. Chan Henry, Mr. Wang Ming Fu, Ms. Ada Ying Kay Wong, Mr. Ho Kwai Ching Mark and Mr. Zhou Fang Sheng as independent non-executive directors.*