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EYANG HOLDINGS (GROUP) CO., LIMITED

宇陽控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 117)

DISCLOSEABLE AND CONNECTED TRANSACTION

Financial adviser to the Company



THE ACQUISITION

The Board is pleased to announce that on 25 September 2012 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, being the entire equity interest in the Target Company, at the Consideration of RMB36 million (equivalent to approximately HK\$44 million). The details on the manner of payment of the Consideration are set out in the paragraph headed “Consideration” of the section headed “Sale and Purchase Agreement” below.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In addition, Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao, each being one of the Vendors, directly holds 85%, 10% and 5% of the equity interest in the Target Company respectively, as at the date of this announcement. Given that (1) Shenzhen Eyang Investment Group is owned as to 55% by Mr. Chen and is an associate of Mr. Chen, (2) Mr. Chen is an executive Director, the Chairman and a beneficial owner of the Controlling Shareholder of the Company; (3) Ms. Shuang is a non-executive Director; and (4) Mr. Liao is an executive Director, the Vendors are the connected persons of the Company, and the Sale and Purchase Agreement constitutes a connected transaction for the Company under Rule 14A of the

Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

GENERAL

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Sale and Purchase Agreement. Mr. Chen, Mr. Liao, Ms. Shuang, and Mr. Xu, being the Directors and the shareholders of Shenzhen Eyang Investment Group, together with their associates, and all parties involved in or interested in the transaction as contemplated under the Sale and Purchase Agreement are required to abstain from voting with respect to the resolutions for approving the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no member of the Independent Board Committee has any material interest in the Acquisition. GuocoCapital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated therein and such appointment has been approved by the Independent Board Committee.

A circular containing, among other things, (i) the Acquisition; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from GuocoCapital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) a notice convening the EGM; and (v) other disclosure requirements under the Listing Rules will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules and it is expected that the circular will be dispatched on or before 17 October 2012.

SALE AND PURCHASE AGREEMENT

Date

25 September 2012

Parties

Vendors: Shenzhen Eyang Investment Group
Ms. Shuang
Mr. Liao

Purchaser: Shenzhen Weichang

Subject matter

The Sale and Purchase Agreement sets out the terms and conditions upon which the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares, being the entire equity interest in the Target Company.

Conditions precedent to the Sale and Purchase Agreement

Completion shall be subject to, amongst others, the following conditions precedent:

- (a) the Independent Shareholders having approved by way of poll at the EGM the Sale and Purchase Agreement and the transactions contemplated thereunder in accordance with the Listing Rules and other relevant rules and regulations;
- (b) all necessary registrations, confirmations, consents and approvals in relation to the transactions contemplated under the Sale and Purchase Agreement having been obtained;
- (c) all representations, warranties and undertakings given by the Vendors under the Sale and Purchase Agreement remain true and accurate and not misleading in all respects; and
- (d) there having been no material breach of the terms and conditions of the Sale and Purchase Agreement by the Vendors before the date of Completion.

In the event that the above conditions precedent have not been fulfilled or waived (other than Condition (a) which may not be waived) by the Purchaser on or before 31 December 2012 (or such later date as may be agreed by the parties in writing), the Sale and Purchase Agreement shall lapse and thereafter neither party to the Sale and Purchase Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach.

Consideration

The consideration payable by the Purchaser to the Vendors for the Sale Shares is in aggregate RMB36 million (equivalent to approximately HK\$44 million) (subject to adjustments set out below) based on the portion of the shareholding of the Target Company held by each of the Vendors. The Consideration shall be satisfied entirely by cash on 31 December 2013 (or such later date as may be agreed by the parties in writing) (“**Payment Date**”).

The Consideration represents a price to earnings ratio of approximately 4.5 times based on the Guaranteed Profit. The Consideration was determined on normal commercial terms and arrived at after arm’s length negotiation among the parties of the Sale and Purchase Agreement after taking into consideration (i) the business prospect of the Target Group; (ii) the Guaranteed Profit; and (iii) the price to earnings ratios of other listed companies in Hong Kong engaging in similar business of the Target Group.

In view of the above, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Profit Guarantee and adjustments to the Consideration

Pursuant to the Sale and Purchase Agreement, the Vendors have jointly and severally guaranteed to the Purchaser that the audited consolidated net profit after tax and before extraordinary items of the Target Group for the year ending 31 December 2012 (“**Actual Net Profit**”), as recorded in the audited consolidated accounts of the Target Group prepared in accordance with generally accepted accounting principles in Hong Kong (“**2012 Audited Accounts**”), shall not be less than RMB8 million (equivalent to approximately HK\$9.8 million) (“**Guaranteed Profit**”).

In the event that the Actual Net Profit is less than the Guaranteed Profit, the Vendors shall pay to the Purchaser an amount (“**Shortfall Compensation**”) calculated in accordance with the following formula:

Shortfall Compensation = (Guaranteed Profit - Actual Net Profit) x 4.5 (representing a price to earnings ratio of approximately 4.5 times, which form the basis of the determination of the Consideration),

where the Target Group records a net loss in the 2012 Audited Accounts, the Actual Net Profit shall be deemed as zero (0).

In the event that the Guaranteed Profit can be achieved, the Consideration shall be settled in cash on the Payment Date. However, in the event that the Guaranteed Profit cannot be achieved, the Consideration after deduction of the Shortfall Compensation shall be settled in cash on the Payment Date.

Nevertheless, the Consideration after deduction of the Shortfall Compensation shall not in any event be lower than the net assets value of the Target Group as at 31 December 2012 in the 2012 Audited Accounts.

Completion

Completion shall take place within five Business Days following the date on which the last of the above conditions precedent is fulfilled or waived (where applicable), or such other date as the parties to the Sale and Purchase Agreement may agree in writing prior to Completion.

Upon Completion, the Target Group will become an indirect wholly-owned subsidiary of the Company and its financial result will be consolidated into the financial result of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is principally engaged in manufacturing, sale and trading of multi-layer ceramic chips and trading of mobile phones.

The MLCC business represents approximately 74.22% of the total revenue of the Company for the year ended 31 December 2011. For the year ended 31 December 2011, the Company recorded a decrease in net profit of approximately 57.1% to RMB14.6 million as compared to the

corresponding period of 2010, due to the intensified competition in the industry. For the six months ended 30 June 2012, the Company recorded a loss after tax attributable to shareholders of the Company of approximately RMB7.5 million. As disclosed in the Company's 2012 interim report, the overcapacity of the MLCC industry is set to give rise to keen competition.

In view of the performance of the MLCC business, the management of the Company has continued to review its existing businesses from time to time and strived to improve its business operation and financial position. The Directors consider that it is beneficial for the Company to seek suitable investment opportunities from time to time to diversify its existing business portfolio and to broaden its sources of income.

The Directors consider that entering into the Sale and Purchase Agreement would allow the Company to expand into the development and sales of lead-acid batteries, which have a wide application on renewable energy, and further allow the Company to benefit from the rapid growth of China's economy and the fast emergence of the renewable energy.

Having considered the abovementioned reasons and benefits, the Directors (excluding the independent non-executive Directors) are of the view that the Acquisition offers the Company a good opportunity to diversify its business and enhance its income stream and are of the opinion that the Acquisition is in the interests of the Company and its Shareholders as a whole.

INFORMATION ON THE VENDORS AND THE TARGET GROUP

The Vendors

Shenzhen Eyang Investment Group is a company established in the PRC with limited liability and owned as to 55%, 18%, 12%, 8% and 7% respectively, by Mr. Chen, Ms. Shuang, Mr. Liao, Mr. Xu and Mr. Luo as at the date of this announcement. It is principally engaged in investment holding.

Ms. Shuang, being a non-executive Director of the Company, holds 10% of the equity interest in the Target Company directly and 15.3% of the equity interest in the Target Company indirectly through her 18% ownership in Shenzhen Eyang Investment Group.

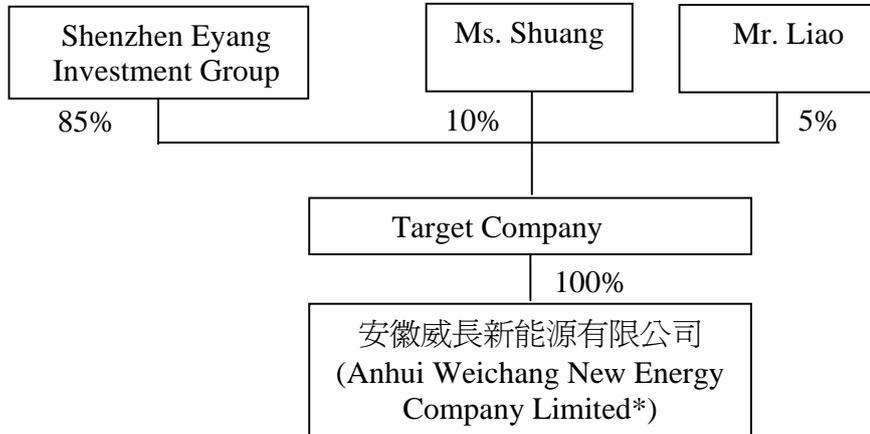
Mr. Liao, being an executive Director of the Company, holds 5% of the equity interest in the Target Company directly and 10.2% of the equity interest in the Target Company indirectly through his 12% ownership in Shenzhen Eyang Investment Group.

The Target Group

The Target Company was established in the PRC with limited liability on 24 June 2008. The Target Group is principally engaged in research, development and sale of batteries, electronic materials, electronic components and electronic products, manufacturing of mobile phone batteries; and research, development and sale of lead-acid batteries.

Shareholding structure of the Target Group

As at the date of this announcement and immediately before Completion:



Immediately after Completion:



As at the date of this announcement, the Purchaser is an indirect wholly-owned subsidiary of the Company.

Financial information of the Target Group

Set out below is the consolidated financial information of the Target Group for the years ended 31 December 2010 and 2011 prepared and audited under the PRC generally accepted accounting principles:

	For the year ended 31 December	
	2010 (approximately RMB'000)	2011 (approximately RMB'000)
Turnover	12,829	69,421
Net profit / (loss) before tax	(6,273)	3,609
Net profit / (loss) after tax	(6,273)	3,609

	As at 31 December	
	2010 (approximately RMB'000)	2011 (approximately RMB'000)
Current assets	10,831	20,602
Current liabilities	15,442	17,739
Total assets	12,086	22,991
Total liabilities	15,442	17,739
Net Assets/ (liabilities)	(3,356)	5,252

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the main board of the Stock Exchange. As at date of this announcement, the Group is principally engaged in the manufacturing and sale of MLCC and trading of mobile phones.

The Purchaser

The Purchaser is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios for the Acquisition under Rule 14.07 of the Listing Rules is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

In addition, Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao, each being one of the Vendors, directly holds 85%, 10% and 5% of the equity interest in the Target Company respectively, as at the date of this announcement. Given that (1) Shenzhen Eyang Investment Group is owned as to 55% by Mr. Chen and is an associate of Mr. Chen, (2) Mr. Chen is an executive Director, the Chairman and a beneficial owner of the Controlling Shareholder of the Company; (3) Ms. Shuang is a non-executive Director; and (4) Mr. Liao is an executive Director, the Vendors are the connected persons of the Company, and the Sale and Purchase Agreement constitutes a connected transaction for the Company under Rule 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

GENERAL

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Sale and Purchase Agreement. Mr. Chen, Mr. Liao, Ms. Shuang, and Mr. Xu, being the Directors and the shareholders of Shenzhen Eyang Investment Group, together with their associates, and all parties involved in or interested in the transaction as contemplated under the Sale and Purchase Agreement are required to abstain from voting with respect to the resolutions for approving the Acquisition.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, no member of the Independent Board Committee has any material interest in the Acquisition. GuocoCapital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated therein and such appointment has been approved by the Independent Board Committee.

A circular containing, among other things, (i) the Acquisition; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) a letter of advice from GuocoCapital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) a notice convening the EGM; and (v) other disclosure requirements under the Listing Rules will be dispatched to the Shareholders as soon as practicable in accordance with the Listing Rules and it is expected that the circular will be dispatched on or before 17 October 2012.

As Completion is subject to the satisfaction (or waiver, where applicable) of the conditions precedent under the Sale and Purchase Agreement, the Acquisition may or may not be completed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Acquisition”	the acquisition of the Sale Shares from the Vendors by the Purchaser pursuant to the Sale and Purchase Agreement, and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day other than a Saturday or Sunday on which banks are generally open for business in Hong Kong throughout their normal business hours
“Chairman”	The chairman of the Board
“Company”	EYANG Holdings (Group) Co., 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
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of RMB36 million in cash (equivalent to approximately HK\$44 million) payable by the Company to the Vendors for the Sale Shares and subject to adjustments, pursuant to the Sale and Purchase Agreement
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“GuocoCapital”	GuocoCapital Limited, a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type

	6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company formed by all the independent non-executive Directors to advise the Independent Shareholders on the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than Mr. Chen, Mr. Liao, Ms. Shuang, and Mr. Xu, and their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MLCC”	multi-layer ceramic capacitor, of which the Group is engaged in the manufacturing and sale
“Mr. Chen”	Mr. Chen Weirong, a beneficial owner of the Controlling Shareholder of the Company and an executive Director, the Chairman
“Mr. Liao”	Mr. Liao Jie, an executive Director
“Mr. Luo”	Mr. Luo Jun, an independent third party to the Company
“Mr. Xu”	Mr. Xu Chuncheng, an executive Director
“Ms. Shuang”	Ms. Shuang Mei, a non-executive Director
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser” or “Shenzhen Weichang”	深圳市威長新能源有限公司(Shenzhen Weichang New Energy Co., Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 25 September 2012 entered into between the Purchaser and the Vendors in relation to the Acquisition
“Sale Shares”	being the entire equity interests in the Target Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen Eyang Investment Group”	深圳市宇陽投資集團有限公司 (Shenzhen Eyang Investment Group Limited*), a company established in the PRC with limited liability, owned as to 55%, 18%, 12%, 8% and 7% respectively, by Mr. Chen, Ms. Shuang, Mr. Liao, Mr. Xu and Mr. Luo as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	深圳市宇陽能源有限公司 (Shenzhen Eyang Energy Company Limited*), a company established in the PRC with limited liability, owned as to 85%, 10% and 5% respectively, by Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao
“Target Group”	the Target Company and its subsidiaries
“Vendors”	Shenzhen Eyang Investment Group, Ms. Shuang and Mr. Liao
“%”	per cent

**The English translation is for identification purposes only*

For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.22. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

By order of the Board
EYANG Holdings (Group) Co., Limited
Chen Weirong
Chairman

Hong Kong, 25 September 2012

As at the date of this announcement, the Board comprises Mr. Chen Weirong, Mr. Liao Jie and Mr. Xu Chuncheng as Executive Directors; Ms. Shuang Mei, Mr. Cheng Wusheng, Mr. Zhang Zhilin and Mr. Chen Hao as Non-executive Directors; Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus as Independent Non-executive Directors.