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## **HAO WEN HOLDINGS LIMITED**

**皓文控股有限公司**

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

**(Stock Code: 8019)**

### **MAJOR TRANSACTION PROPOSED DISPOSAL OF ASSETS APPOINTMENT OF AUDITORS AND REFRESHMENT OF GENERAL MANDATE**

**Financial Adviser to the Company**

**ASIA VEST PARTNERS**

**Asia Vest Partners Limited**

#### **THE DISPOSAL**

The Board announces that on 30 August 2010 after trading hours, the Company and the Purchaser entered into the Agreement in respect of the Disposal. Pursuant to the Agreement, the Vendor (a wholly owned subsidiary of the Company) has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Sale Assets at a total Consideration of approximately RMB95.4 million (equivalent to approximately HK\$109.3 million).

Upon the Completion, the Sale Assets will cease to be owned by the Group. As the applicable percentage ratio for the Disposal under the GEM Listing Rules is more than 25% but less than 75%, the Disposal constitutes a major disposal for the Company under Chapter 19 of the GEM Listing Rules.

The Disposal constitutes a major transaction for the Company and accordingly it is subject to the requirements of reporting, announcement and the approval of the Shareholders at the EGM as set out in Chapter 19 of the GEM Listing Rules.

## **APPOINTMENT OF AUDITORS**

Reference is made to the Company's announcement dated 27 August 2010 in relation to the resignation of CCIF as auditors of the Group.

The Board proposes to appoint KLC Kennic Lui & Co. Ltd. as the new auditors of the Group to fill the vacancy and to hold office until the next annual general meeting of the Company, subject to the approval of the Shareholders at the EGM.

## **REFRESHMENT OF GENERAL MANDATE**

The General Mandate has been utilized as to 146,590,009 Shares, representing 71.13% of the aggregate number of Share which may be allotted and issued under the General Mandate since the grant of the General Mandate. The Company therefore proposes to seek the approval of the Independent Shareholders to refresh the General Mandate at the EGM.

As at the date of this announcement, the total issued shares of the Company are 1,277,090,909 and therefore, assuming there is no further issuance or repurchase of Shares from the date of this announcement and up to the date of the EGM, up to 59,510,171 new Shares can be issued under the New General Mandate.

The Directors consider that it is in the interests of the Company and the Shareholders as a whole to grant the New General Mandate by maintaining the financial flexibility necessary for the Company to raise funds through the issue of new securities for its general working capital as and when the Directors think appropriate in the future.

Therefore, the Board proposes to seek the approval of the Shareholders to refresh the existing General Mandate at the EGM.

## **GENERAL**

A circular containing, among other things, (i) further details of the Disposal, the change of auditors, the refreshment of General Mandate; (ii) the recommendation from the Independent Board Committee relating to the refreshment of General Mandate; (iii) the letter of advice from independent financial adviser to the Independent Board Committee and Independent Shareholders relating to the refreshment of General Mandate; (iv) independent valuation report on the Sale Assets; and (v) the notice of the EGM will be dispatched to the Shareholders no later than 20 September 2010.

# THE AGREEMENT

## Date

30 August 2010

## Parties

- (1) The Vendor, a wholly owned subsidiary of the Company
- (2) 山西滙眾動漫科技開發有限公司 as the Purchaser

山西滙眾動漫科技開發有限公司 is a company established in the PRC. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

## Assets to be disposed

Pursuant to the Agreement, the Vendor conditionally agreed to sell to the Purchaser and the Purchaser conditionally agreed to acquire from the Vendor the Sale Assets being the Factory Buildings engaged in the production of pharmaceutical products and certain properties for accommodation for staff in PRC.

## Consideration

The Consideration of the Disposal is approximately RMB95.4 million (equivalent to approximately HK\$109.3 million), which shall be settled at the Completion by undertaking and assuming the obligations of the Loans of the Vendor by the Purchaser. As at the date of Agreement, the total amount of the Loans was approximately RMB95.4 million (equivalent to approximately HK\$109.3 million).

The Loans comprise of:

- a. 2 secured loans of RMB36.16 million (equivalent to approximately HK\$41.44 million) and
- b. certain loan payables of approximately RMB59.3 million (equivalent to approximately HK\$68 million) as at the date of this announcement.

The actual amount of the loan payables to be undertaken by the Purchaser in total shall be subject to final determination between the parties, but in any event, the total amount of the Loans shall not exceed RMB95.4 (equivalent to approximately HK\$109.3 million).

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser taking into account book value of the Sale Assets as at 31 December 2009 of approximately RMB94.2 million (equivalent to approximately HK\$108 million); and the valuation of approximately HK\$108 million undertaken by an independent Hong Kong valuer.

In view of the aforesaid consideration terms and the reasons for and the benefits of the disposal below, the Directors are of the view that the terms of the Agreement are fair and reasonable as far as the Company and the Shareholders are concerned.

### **Conditions of the Agreement**

Completion is conditional upon all of the following conditions precedents satisfied :

- (i) the obtaining of the consents from each of the creditors involved in the Loans on the assignment of Loans to the Purchaser pursuant to the Agreement;
- (ii) the obtaining of a PRC legal opinion (in form and substance satisfactory to the Vendor) from a PRC legal adviser appointed by the Vendor in relation to the matter contemplated under the Agreement;
- (iii) the approval by the Shareholders of the Company at the EGM of the Agreement and the transactions contemplated hereunder as required under the GEM Listing Rules (if required);
- (iv) all the consents and approvals as necessary under the PRC laws and other applicable laws (if necessary);

Upon fulfillment of the conditions above, the parties shall proceed with the procedures for registering the Sale Assets with the relevant PRC authorities. The registration procedures for the Sale Assets will complete when the relevant land and real estate title certificates concerning the Sale Assets are issued in the name of the Purchaser.

### **Completion**

Completion is expected to take place on or before 31 January 2011 (or such other time as the Purchaser and the Company may agree in writing). Upon Completion, ownership of the Sale Assets will be transferred to the Purchaser and the Purchaser will take up the obligations under the Loans. Thereafter, the Sale Assets and Loans shall be de-consolidated from the consolidated account of the Group.

## **TENANCY ARRANGEMENT**

### **Major Terms of the Tenancy Agreement**

On 30 August 2010, the Purchaser entered into the Tenancy Agreement (the “Tenancy Agreement”) with the Vendor pursuant to which, subject to the completion of the Disposal, it was agreed between the contractual parties that the Factory Buildings will be leased by the Purchaser to the Vendor for medicine manufacturing business originally carried out by the Vendor at a yearly rental of RMB2 million (equivalent to approximately HK\$2.3 million) for a term of three years commencing on the date of issue of all the land and real estate title certificates of the Factory Buildings. The Vendor has the option for renewal of the Tenancy Agreement for another three years upon expiry of the Tenancy Agreement at the same rate of rent.

### **Basis of Consideration under the Tenancy Agreement**

The yearly rental of RMB2 million (equivalent to approximately HK\$2.3 million) payable to the Purchaser during the three-year term of the Tenancy Agreement is the best price achievable by the Company after arm’s length negotiation with the Purchaser with reference to the valuation report from a Hong Kong valuer.

The Tenancy Agreement shall be effective when the relevant land and real estate title certificates concerning the Factory Buildings have been issued in the name of the Purchaser.

## **INFORMATION OF THE GROUP AND REASONS FOR THE DISPOSAL**

The Group is principally engaged in the manufacture, trading and brokerage of pharmaceutical products and health care products.

The Vendor is a limited liability company established in the PRC mainly engaged in computer software development and trading of building materials.

The Directors believe that the Disposal shall improve the current liquidity, the gearing and equity position of the Company as well as capture invaluable investment opportunities by the enhanced liquidity.

## **INFORMATION OF DISPOSAL**

The Sale Assets, comprising

- (i) the piece of land of 120,105.02 square meters and 5 buildings with floor area 27,150.57 square meters of production complex in Taigu County, Shanxi Province which are being used by the Vendor; and
- (ii) 7 properties with gross floor area 1,409.94 square meters located in Shanghai.

As at 31 March 2010, the audited book asset value of the Sale Assets was approximately HK\$108 million prepared in accordance with all applicable International Financial Reporting Standards ;

The estimated valuation provided by a valuation report prepared by a Hong Kong valuer as at 30 August 2010 is approximately HK\$105.7 million.

## **FINANCIAL EFFECTS OF THE DISPOSALS**

As a result of the Disposal, there will be a gain of HK\$1.2 million to the Company. Both the Sale Assets and discharged liabilities of the Group will be decreased upon Completion. The Company will save the heavy interest charges on bank and other borrowings repayable approximately HK\$5 million each year.

## **IMPLICATION UNDER THE GEM LISTING RULES**

As the applicable percentage ratios under the GEM Listing Rules of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules.

## **CHANGE OF AUDITORS**

Reference is made to the Company's announcement dated 27 August 2010 in relation to the resignation of CCIF as auditors of the Group.

CCIF confirmed that there were no circumstances in connection with its resignation that need to be brought to the attention of the Shareholders. The Board is not aware of any circumstances other than those as mentioned above in respect of the resignation of CCIF as auditors of the Group that should be brought to the attention of the Shareholders.

On 30 August 2010, the Board resolved to propose the appointment of KLC Kennic Lui & Co. Ltd as the new auditor of the Group to fill the vacancy following the resignation of CCIF and to hold office until the next annual general meeting of the Company, subject to the approval of the shareholders of the Company at the EGM.

## **REFRESHMENT OF GENERAL MANDATE**

At the annual general meeting of the Company held on 28 May 2010, the Shareholders passed among others, ordinary resolutions to grant the Directors the General Mandate to issue, allot and otherwise deal with a maximum of 226,100,180 Shares, representing 20% of the total nominal amount of the share capital of the Company in issue on the date of passing such resolutions.

The General Mandate has been utilized as to 146,590,009 Shares, representing 71.13% of the aggregate number of Shares which may be allotted and issued under the General Mandate, as a result of the issue of 146,590,009 new placing shares on 18 August 2010 to 2 independent subscribers.

There has been no refreshment of General Mandate since the said annual general meeting. Accordingly, after the issue of the aforesaid new placing shares, 59,510,171 new Shares may be further issued and allotted under the General Mandate.

The Directors consider that it is in the interests of the Company and the Shareholders as a whole to grant the New General Mandate by maintaining the financial flexibility necessary for the Company to raise funds through the issue of new securities for its general working capital as and when the Directors think appropriate in the future.

Therefore, the Board proposes to seek the approval of the Shareholders to refresh the existing General Mandate at the EGM.

The New General Mandate will, if granted, remain effective until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which next annual general meeting of the Company is required to be held by the Cayman Islands or the articles of association of the Company; and
- (iii) its revocation or variation by ordinary resolutions of the Shareholders in general meeting.

Pursuant to Rule 17.42A of the Listing Rules, the refreshment of the Existing General Mandate requires the approval of the Independent Shareholders at the EGM at any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the refreshment of the existing General Mandate.

To the extent that the Company was aware having made all reasonable enquiries, (i) there were no controlling shareholder of the Company; and (ii) the following Director and his respective associates controlled or are entitled to exercise control over the voting rights in respect of the Shares were required to abstain and will abstain from voting in favour of the resolution for approving the refreshment of the Existing General Mandate at the EGM:

<b>Director</b>	<b>No. of Shares</b>	<b>Approximate percentage</b>
Mr. Hu	193,975,000	15.19%

Save as disclosed herein, as at the date of this announcement, there were no other Directors and their respective associates controlled or are entitled to exercise control over the voting rights in respect of the Shares required to abstain from voting in favour of the resolution for approving the proposed refreshment of the existing General Mandate at the EGM.

## **GENERAL**

A circular containing, among other things, (i) further details of the Disposal, the change of auditors, the refreshment of General Mandate; (ii) the recommendation from the Independent Board Committee; (iii) the letter of advice from independent financial adviser to the Independent Board Committee and Independent Shareholders relating to the refreshment of General Mandate; (iv) independent valuation report on the Sale Assets; and (v) the notice of the EGM will be dispatched to the Shareholders no later than 20 September 2010.



## DEFINITIONS

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

“Agreement”	the agreement entered into between the Purchaser and the Vendor on 30 August 2010 in respect of the Disposals
“Associate(s)”	which shall have the same meaning as defined in the GEM Listing Rules
“Board”	the board of Directors
“CCIF”	CCIF CPA Limited
“Company”	Hao Wen Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the GEM;
“Completion”	completion of the Disposal under the Agreement
“Consideration”	the total consideration of the Disposal payable by the Purchaser pursuant to the Agreement
“Disposal ”	the disposal of the Sale Assets on the terms contained in the Agreement
“Director(s)”	the director(s) of the Company
“EGM”	Extraordinary general meeting of the Company
“Factory Buildings”	the factory buildings and the land owned by the Vendor and located at Taigu County, Shanxi Province PRC
“GEM”	the Growth Enterprise Market of the Stock Exchange

“GEM Listing Rules”	The Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 28 May 2010 to allot, issue and deal up to 20% of the then issued share capital of the Company as at the date of the annual general meeting
“Group”	The Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board comprising the independent non-executive Directors, namely Mr. Leung Siu Kuen, Mr. Fu Wing Kwok, Ewing and, Mr. Lam Chung Fai to advise the Independent Shareholders regarding the General Mandate
“Independent Third Party(ies)”	a party(ies) and, if applicable, the ultimate beneficial owner(s) of the party(ies) who is/are not fallen into the definition of connected persons to the Company under Chapter 20 of the GEM Listing Rules
“Independent Shareholders”	Shareholders other than the Purchaser and its associates
”Loans”	the loans due from the Vendor to certain creditors, of which the total outstanding amount as at the date of the Agreement was RMB95.4 million (equivalent to approximately HK\$109.3 million)

“New General Mandate”	the mandate proposed to be sought at the EGM to authorize the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company as at the date of the EGM
“PRC”	the People’s Republic of China, excluding for the purpose of this announcement Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	山西滙眾動漫科技開發有限公司, a company incorporated in PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sale Assets ”	the Factory Buildings and the 7 properties in Shanghai
“Tenancy Agreement”	the tenancy agreement dated 30 August 2010 between the Purchaser as landlord and the Vendor as tenant in relation to the Factory Buildings
“Vendor”	Shanxi Everpride Pharmaceutical Company Limited# (山西中遠威藥業有限公司)
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

*In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8725 = HK\$1 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*

By Order of the Board  
**Hao Wen Holdings Limited**  
**Leung King Fai**  
*Company Secretary*

Hong Kong, 30 August 2010

*As at the date hereof, the executive Directors are Mr. Chung Chi Mang, Mr. Zhao Borui and Mr. Hu Yangxiong; the independent non-executive Directors are Mr. Leung Siu Kuen, Mr. Fu Wing Kwok, Ewing and Mr. Lam Chung Fai.*

*This announcement, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and (2) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page and on the website of the Company at <http://www.tricor.com.hk/webservice/008019> for at least 7 days from the date of its posting.*