



# HESHUN HOLDINGS COMPANY LIMITED

和順控股有限公司\*

(Incorporated in Bermuda with limited liability)

## CONNECTED TRANSACTION

The Board is pleased to announce that on 29 November 2001 Heshun (China) Industrial Group Co., Ltd., a wholly owned subsidiary of the Company, as seller entered into an agreement with Mr. Chen Shunli as buyer for the disposal of 95% equity interest in Dalian Huayang Engineering Co., Ltd. for a consideration of RMB76,000,000.

The Share Sale Agreement constitutes a connected transaction and is subject to the Company's independent shareholders' approval requirements under the Listing Rules. A circular containing further details of the Share Sale Agreement, together with, inter alia, the notice convening a special general meeting will be despatched to the Company's shareholders as soon as possible.

An independent board committee of the Company will be constituted to advise the independent shareholders of the Company as to whether the Share Sale Agreement is fair and reasonable. An independent financial adviser will be appointed to advise the independent board committee of the Company regarding the Share Sale Agreement.

### SHARE SALE AGREEMENT DATED 29 NOVEMBER 2001

#### 1. Parties

**Buyer :** Mr. Chen Shunli, an executive director and the controlling shareholder of the Company holding approximately 69.6% interest in the Company.

**Seller :** Heshun (China) Industrial Group Co., Ltd., a company incorporated under the laws of the PRC and a wholly owned subsidiary of the Company.

#### 2. Interest to be disposed of

95% of the registered capital of Dalian Huayang which is the entire interest currently held by Heshun (China).

#### 3. Consideration

The consideration shall be in the sum of RMB76,000,000, RMB20,000,000 shall be paid on the Completion Date and RMB56,000,000, being the balance of the purchase price, shall be paid within six months from the Completion Date.

#### 4. Conditions of the Agreement

The Share Purchase Agreement is conditional upon, inter alia, the following:

- the warranties given by Heshun (China) under the Share Sale Agreement remaining true and correct;
- (where applicable) all approvals from the government and regulatory authorities (including without limitation the Ministry of Foreign Trade and Economic Co-operation of the PRC), corporate approvals and consents for the transaction contemplated under the Share Sale Agreement having been obtained on or before completion; and if any of such governmental and regulatory and/or corporate approvals and consents are given subject to the conditions, then provided that such conditions having been reasonably accepted by Mr. Chen;
- all relevant regulatory requirements (including without limitation to those under the Listing Rules and all relevant regulatory requirements in Hong Kong and/or in the PRC) having been complied with and satisfied; and
- the Company having convened a special general meeting at which resolution shall have been duly passed by its shareholders (except Mr. Chen and his associates (as defined under the Listing Rules)) to approve the transactions contemplated in the Share Sale Agreement.

However, in the event that the conditions set out above are not satisfied or waived by the 90th day after the date of the Share Sale Agreement (or such later date as the parties may otherwise agree), then the Share Sale Agreement shall lapse and have no further effect and the parties shall be released from all obligations under it.

#### 5. Completion

Subject to the conditions set out above being met or waived, the completion of the Share Sale Agreement will take place on the date on which the shareholders of the Company approve the transaction contemplated in the Share Sale Agreement (or such later date as the Seller and the Buyer may otherwise agree).

### REASONS FOR THE DISPOSAL

Dalian Huayang is principally engaged in the provision of engineering and installation services for the chemical fibre projects and the design and installation of chemical fibre production machinery and equipment. According to the audited accounts for the financial year ended 31 December 2000 and the unaudited accounts for the ten months period ended 31 October 2001, Dalian Huayang recorded a net profit after tax of RMB22,352,088 and RMB5,851,706 respectively, and a net profit before tax of RMB24,244,576 and RMB6,347,407 respectively. The Board believes that the competition in the business of Dalian Huayang will become more intensive in the PRC and the profit margin is expected to decrease further. As such, the Board considers that the Disposal would be in the interest of the Company and its shareholders as a whole as it would allow the Company to focus on its business relating to the production and distribution of a variety of differential chemical fibre products. It is the current intention of the Board that upon the completion of the Disposal, the Company will discontinue the provision of engineering and installation services for the chemical fibre projects and the design and installation of chemical fibre production machinery and equipment.

The consideration for the Disposal has been concluded after arm's length negotiation with reference to the net asset value of Dalian Huayang. Based on the audited accounts for its financial year ended 31 December 2000, the net book value of Dalian Huayang was RMB54,256,911 and according to the unaudited accounts as at 31

October 2001, the net book value of Dalian Huayang was RMB60,108,617. The major components of total assets at 31 December 2000 and 31 October 2001 were cash and bank deposits, trade receivables and fixed assets. They amounted to RMB24,925,682, RMB20,773,225 and RMB15,393,651 respectively at 31 December 2000 and RMB20,258,451, RMB27,852,540 and RMB14,706,920 respectively at 31 October 2001. The consideration of RMB76,000,000 represents a premium of approximately 40.1% and 26.4% over the net book value of Dalian Huayang as at 31 December 2000 and 31 October 2001.

### USE OF PROCEEDS

The net proceeds from the Disposal, after deduction of professional fees and other related expenses, will be used to repay certain advances or loans made to the Company and as general working capital for the Group.

### COMPANY'S PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and distribution of differential chemical fibre products, and in the provision of engineering and installation services for chemical fibre projects and the design and installation of chemical fibre production machinery and equipment.

### CONNECTED TRANSACTION

Heshun (China) is a wholly owned subsidiary of the Company. Mr. Chen is an executive director and the controlling shareholder holding approximately 69.6% interest of the Company and therefore is a connected person of the Company. The entering into of the Share Sale Agreement between Heshun (China) and Mr. Chen constitutes a connected transaction of the Company and is subject to the disclosure and independent shareholders' approval requirements under the Listing Rules.

Mr. Chen and its associates are required to abstain from voting as independent shareholders' approval is required for the Share Sale Agreement.

An independent board committee of the Company will be constituted to advise the independent shareholders of the Company as to whether the Share Sale Agreement is fair and reasonable. An independent financial adviser will be appointed to advise the independent board committee of the Company regarding the Share Sale Agreement.

A circular containing, among other things, details of the Share Sale Agreement, the recommendation from the independent board committee of the Company as to whether the Share Sale Agreement is fair and reasonable and the opinion from the independent financial adviser, will be despatched to the shareholders of the Company within 21 days after the publication of this announcement.

### DEFINITIONS

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

"Board"	means board of directors of the Company
"Company"	means Heshun Holdings Company Limited
"Completion Date"	means the date on which the shareholders of the Company approve the transaction contemplated in the Share Sale Agreement or such later date as the Seller and the Buyer may otherwise agree
"Disposal"	means the disposal of 95% of the registered capital of Dalian Huayang pursuant to the provisions of the Share Sale Agreement
"Dalian Huayang"	means Dalian Huayang Engineering Co., Ltd.
"Group"	means the Company and its subsidiaries
"Heshun (China)"	means Heshun (China) Industrial Group Co., Ltd.
"Listing Rules"	means Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Mr. Chen"	means Mr. Chen Shunli
"PRC"	means the People's Republic of China
"RMB"	means Renminbi, the lawful currency of the PRC
"Share Sale Agreement"	means the share sale agreement dated 29 November 2001 entered into between Mr. Chen and Heshun (China) in relation to the Disposal

By order of the board  
Heshun Holdings Company Limited  
Chen Shunli  
Chairman

Hong Kong, 29 November 2001

\* for the purpose of identification only