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HUA LIEN INTERNATIONAL (HOLDING) COMPANY LIMITED

華聯國際（控股）有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 969)

ANNOUNCEMENT

INSIDE INFORMATION

**IN RELATION TO THE RETIREMENT OF DIRECTORS
AND NON-COMPLIANCE WITH RULES 3.10(1), 3.10(2), 3.10A, 3.21 AND 3.25
OF THE LISTING RULES AND CODE PROVISION A.5.1 OF CORPORATE
GOVERNANCE CODE OF THE LISTING RULES
AND
RESUMPTION OF TRADING**

This announcement is made by Hua Lien International (Holding) Company Limited (the “**Company**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

1. DIRECTORS TO RETIRE AT THE 2017 AGM

Reference is made to the annual report of the Company for the year ended 31 December 2016 published on 27 April 2017 (the “**2016 Annual Report**”) containing information, among others, relating to the directors of the Company (the “**Director(s)**”) that will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the “**2017 AGM**”).

** For identification purposes only*

The longest serving Director is Dr. Zheng Liu (“**Dr. Zheng**”), who is required pursuant to the Listing Rules and the articles of association of the Company (the “**Articles**”) to retire at the 2017 AGM.

In order to determine the remaining two Directors to retire at the 2017 AGM, namely, among Mr. Han Hong (“**Mr. Han**”), Mr. Hu Yebi (“**Mr. Hu**”) and Ms. Li Xiao Wei (“**Ms. Li**”), who were each re-elected on the same date, lots were drawn by the company secretary of the Company (the “**Company Secretary**”) in accordance with Article 116 of the Articles (the “**First Draw**”). As stated on page 17 of the 2016 Annual Report, the result of the First Draw required that, in addition to Dr. Zheng, each of Mr. Hu and Ms. Li shall retire from office at the 2017 AGM.

Subsequent to the publication of the 2016 Annual Report, the Company had received an enquiry from Mr. Hu’s lawyers regarding the procedure adopted in conducting the First Draw. In order to put this matter beyond doubt and to ensure the smooth running of the upcoming 2017 AGM, the Company proposed, and the three Directors concerned agreed, to hold a redraw on Thursday, 25 May 2017 at 4.00 p.m. at the Company’s principal place of business in Hong Kong (the “**Redraw**”). Each of the Directors concerned were invited to attend the Redraw which was also scrutinised by an independent third party, namely, a representative of BMI Listed Corporate Services Limited. The Redraw had yielded a result different from that of the First Draw and determined that, in addition to Dr. Zheng, each of Mr. Hu and Mr. Han (in place of Ms. Li as required under the First Draw) would both retire from office at the 2017 AGM.

Accordingly, the information relating to the Directors that will retire from office as contained in the second paragraph under the section headed “Directors and Directors’ Service Contract” on page 17 of the 2016 Annual Report has been superseded by the subsequent events as described above.

2. DIRECTORS’ NOTIFICATIONS OF INTENTION NOT TO STAND FOR RE-ELECTION AT THE 2017 AGM

Subsequent to the Redraw, the Company had received separate notifications from each of Dr. Zheng and Mr. Hu informing the Company of their respective intentions not to stand for re-election as Directors at the upcoming 2017 AGM. Accordingly, the Company announces that each of Dr. Zheng and Mr. Hu will retire at the conclusion of the 2017 AGM pursuant to Article 116 of the Articles and will not stand for re-election as an independent non-executive Director and executive Director, respectively. As a consequence, Dr. Zheng will also cease to be the chairperson and member of each of the audit committee, remuneration committee and nomination committee of the board of Directors (the “**Board**”) with effect from the conclusion of the 2017 AGM.

A. MR. HU'S NOTIFICATION OF RETIREMENT

Whilst the Directors (other than Mr. Hu, Dr. Zheng, Ms. Li and Mr. Yu Chi Jui) do not agree with the matters set out in Mr. Hu's notification of retirement, in the interests of transparency, the reasons for his retirement as set out in such notification are set out below (the English version being a translation of the original Chinese text):

- “1. Those directors of the board who represent the controlling shareholders disregard the interests of the public shareholders and have made certain business decisions that are only favourable to the controlling shareholders and detrimental to the public shareholders;*
- 2. In making certain commercial decisions, despite the unanimous opposition by myself and all of the independent non-executive directors, those directors of the board who represent the controlling shareholders remain adamant about making decisions which are only favourable to the controlling shareholders and detrimental to the public shareholders;*
- 3. Not only are those directors of the board who represent the controlling shareholders incompetent in the judgment, decision making and management of investments as well as business operation, but they also disregard the reasonable proposals made by other members of the board. Consequently, the Company has made serious errors in investment and suffered from substantial operational losses for years with its assets turning into substantial negative equity;*
- 4. In relation to the operation of a listed company, those directors of the Board who represent the controlling shareholders disregard the proper rules and procedures applicable to a listed company. When dealing with certain matters relevant to a listed company, they have not complied with the Listing Rules and other corresponding rules and have thus failed to accurately and fully disclose the relevant information and misled the public shareholders;*
- 5. It is necessary to draw the attention of the public shareholders to whether, in the future operation of the Company, the commercial decisions made by the board are favourable only to the controlling shareholders and detrimental to the public shareholders, and whether the board complies with the Listing Rules and other corresponding rules when handling matters relevant to a listed company.”*

B. DR. ZHENG'S NOTIFICATION OF RETIREMENT

Dr. Zheng had stated that the reasons for her retirement as an independent non-executive Director was to devote more time to her other work commitments. Dr. Zheng has further informed the Company that she should like to bring the following to the attention of the shareholders of the Company and the Stock Exchange (the English version being a translation of the original Chinese text):

- “1. With a view to improving the financial situation and future development prospect of the Company, the Company and Bestway International Holdings Limited signed a memorandum of understanding pursuant to which Bestway International Holdings Limited intended to subscribe for the shares of the Company dated 23 May 2016. Such subscription expired on 28 February 2017. However, the directors had major disagreements at the board meeting as whether or not to proceed with such transaction. The three independent non-executive directors of the Company (including myself) unanimously proposed to extend the Long Stop Date (as defined in the said memorandum of understanding), but the other directors had different opinions. Subsequently, in the process of preparing the relevant announcement in relation to such matter as required by the Listing Rules, the board was unable to form a majority view due to the directors' differences in opinion on the content of such announcement and, as such, the relevant announcement has not been published in compliance with the Listing Rules to date.*
- 2. Several directors shall retire by rotation at the annual general meeting this year. Pursuant to the articles of association of the Company, the directors to retire by rotation shall be determined by lot. Some directors questioned about whether those directors to retire by rotation as announced in the 2016 annual report were determined by lot, but the relevant officers of the Company have given no response to such query to date.”*

As mentioned, the Directors (other than Mr. Hu, Dr. Zheng, Ms. Li and Mr. Yu Chi Jui) do not agree with the matters set out in Mr. Hu's notification of retirement.

To provide certain background information to the shareholders of the Company and potential investors, on 21 July 2016, the Company had announced that it had entered into a subscription agreement and placing agreement with various parties (the “**Subscription Agreement**”)(the transactions contemplated thereunder, the “**Proposed Subscription**”). Mr. Hu, being an executive Director, was also at that time

an executive director of Bestway International Holdings Limited (now known as Tai United Holdings Limited), the holding company of the subscriber under the Proposed Subscription (the “**Proposed Subscriber**”). On 1 December 2016, the Company had further announced that it was in negotiation with, amongst others, Mr. Hu and the Proposed Subscriber, to amend certain terms of the Proposed Subscription, which involved, amongst others, Mr. Hu’s participation in the Proposed Subscription in a personal capacity. In such event, the Proposed Subscription would be a connected transaction for the Company under the Listing Rules and would require a whitewash waiver pursuant to Note 1 to the Notes on dispensations from Rule 26 of The Hong Kong Code on Takeovers and Mergers. No agreement had been reached by the parties as to the terms of the Proposed Subscription, as amended, and as a result, the Subscription Agreement had lapsed and automatically terminated.

At the time of considering the potential extension of the long-stop date under the Subscription Agreement, the Directors had a commercial disagreement and maintained a difference in opinion with respect to the continuance of the Proposed Subscription. Accordingly, the Directors were unable to reach an unanimous view on the contents of the announcement to be published in relation to, amongst others, the lapse of the Proposed Subscription, which required a directors’ joint and several responsibility statement under Rule 9.3 of the Takeovers Code.

The Directors would like to assure the shareholders of the Company and potential investors that the Directors and the Company takes compliance with the Listing Rules, the Takeovers Code and applicable laws and regulations very seriously and acts in the best interests of its shareholders and the Company as a whole.

The Company would like to express its gratitude to Mr. Hu and Dr. Zheng for their respective contributions to the Company during their tenures of service.

3. NON-COMPLIANCE WITH RULES 3.10(1), 3.10(2), 3.10A, 3.21 AND 3.25 OF THE LISTING RULES AND CODE PROVISION A.5.1 OF CORPORATE GOVERNANCE CODE OF THE LISTING RULES

Upon the retirement of Dr. Zheng as an independent non-executive Director and from her current positions as the chairperson and member of each of the nomination committee, remuneration committee and audit committee of the Company, the number of independent non-executive Directors and the members of audit committee will fall below the minimum number required under Rules 3.10(1), 3.10A and 3.21 of the Listing. In addition, the

Company will fail to meet the requirement that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules, the composition requirement of the remuneration committee of the Board under Rule 3.25 of the Listing Rules and the composition requirement of the nomination committee under code provision A.5.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules and the relevant terms of references of the Company.

The Company shall endeavour to identify suitable candidate(s) to fill the vacancy(ies) to the Board and the relevant Board committees as soon as practicable, with the relevant appointment(s) to be made within three months from the date of the 2017 AGM to meet the requirements under the Listing Rules. The Company will make further announcement(s) as and when appropriate.

Save for the above, the Directors (other than Mr. Hu, Dr. Zheng, Ms. Li and Mr. Yu Chi Jui) considers that there are no other matters that need to be brought to the attention of the shareholders of the Company and potential investors.

4. TRADING HALT AND RESUMPTION OF TRADING

At the request of the Company, trading in shares of the Company on the Stock Exchange was halted with effect from 9:00 a.m. on 1 June 2017 pending the release of this announcement.

An application has been made by the Company for resumption of trading in its shares on the Stock Exchange with effect from 9:00 a.m. on 2 June 2017.

This announcement has been approved by all of the Directors (other than Mr. Hu, Dr. Zheng, Ms. Li and Mr. Yu Chi Jui).

By order of the Board

Hua Lien International (Holding) Company Limited

Han Hong

Executive Director

Hong Kong, 1 June 2017

As at the date of this announcement, the Board comprises eight directors, of which five are executive directors, namely Mr. Liu Xueyi, Mr. Han Hong, Mr. Hu Yebi, Mr. Wang Zhaohui and Dr. Xu Dandan and three are independent non-executive directors, namely Dr. Zheng Liu, Mr. Yu Chi Jui and Ms. Li Xiao Wei.