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HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

PROPOSED ISSUANCE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 30 May 2016 (after trading hours), the Company entered into a conditional Subscription Agreement with CCBI and Mr. Meng, the chairman, an executive Director and a substantial shareholder of the Company, pursuant to which the Company has conditionally agreed to issue and CCBI has conditionally agreed to subscribe the Convertible Bonds in the principal amount of HK\$200 million; and Mr. Meng has agreed to guarantee the punctual performance and observance by the Obligor of their obligations under the Transaction Documents.

* For identification purpose only

The Convertible Bonds carry the right to convert into Conversion Shares at the Conversion Price of HK\$0.78 per Conversion Share (subject to adjustment). Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price of HK\$0.78 per Conversion Share, 256,410,256 Conversion Shares will fall to be issued to the Bondholder, representing approximately 4.52% of the issued capital of the Company as at the date of this announcement and approximately 3.16% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares, assuming all the Placing Shares have been subscribed and issued, and all the Conversion Shares have been issued.

The Conversion Shares which fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds will be issued and allotted under the General Mandate.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Meng is the chairman, an executive Director and a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, Meng's Guarantee, which is a provision of financial assistance by Mr. Meng to the Company, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As Meng's Guarantee was provided for the benefit of the Company on normal commercial terms or better and no security over assets of the Group is granted in respect of Meng's Guarantee, Meng's Guarantee is exempted from the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

Shareholders and potential investors should note that completion of the Subscription is subject to fulfillment of the conditions under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

1. PROPOSED ISSUE OF CONVERTIBLE BONDS

Subscription Agreement

On 30 May 2016 (after trading hours), the Company entered into a conditional Subscription Agreement with CCBI and Mr. Meng, the chairman, an executive Director and a substantial shareholder of the Company, pursuant to which the Company has conditionally agreed to issue and CCBI has conditionally agreed to subscribe the Convertible Bonds in the principal amount of HK\$200 million; and Mr. Meng has agreed to guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents.

Date : 30 May 2016 (after trading hours)

Parties : Issuer: The Company

Subscriber: CCBI

Guarantor: Mr. Meng

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries and as at the date of this announcement, CCBI and its ultimate beneficial owner(s) are Independent Third Parties.

Mr. Meng is the chairman, an executive Director and a substantial shareholder of the Company. Therefore, Mr. Meng is the connected person of the Company. Pursuant to the Subscription Agreement, Mr. Meng will execute and guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents in favour of CCBI. Mr. Meng will further execute the Instrument as a party with the Company to guarantee the punctual performance and observance by the Obligors of their obligations under the Transaction Documents in favour of CCBI.

Subscription

Subject to the fulfilment of the Conditions Precedent, the Company has agreed to issue and the CCBI has agreed to subscribe for the Convertible Bonds in the principal amount of HK\$200 million.

The Convertible Bonds carry the right to convert into Conversion Shares at the Conversion Price of HK\$0.78 per Conversion Share (subject to adjustment). Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price of HK\$0.78 per Conversion Share, 256,410,256 Conversion Shares will fall to be issued to the Bondholder, representing approximately 4.52% of the issued capital of the Company as at the date of this announcement and approximately 3.16% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares, assuming all the Placing Shares have been subscribed and issued, and all the Conversion Shares have been issued.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfilment of the following Conditions Precedent:

- (a) the execution and delivery of the Transaction Documents, each in a form satisfactory to CCBI, by the respective Obligor (where appropriate);
- (b) all the Warranties being true, complete and accurate in all respects and not misleading in any respect and each of the Obligors having performed all its/his obligations under the Subscription Agreement to be performed on or before the Completion Date;
- (c) CCBI being satisfied with (i) the business (including future projects, prospects, business strategy, development and investment scope and business plan), technical, legal, financial, accounting and tax due diligence investigations with respect to the Group, and (ii) all “Know Your Client” and anti-money laundering checks and all other customer due diligence requirements with respect to the Group, and the entering into the transactions contemplated under the Transaction Documents;
- (d) CCBI having obtained all necessary internal approvals, including but not limited to the approval from its respective investment committees or the investment committees of its respective holding companies (if applicable) in respect of the subscription of the Convertible Bonds as set forth in the Subscription Agreement;
- (e) each of the Obligors, to the extent applicable, having (i) duly complied with all requirements under applicable laws and its constitutional documents necessary for the validity and enforceability of the Transaction Documents and the transactions contemplated thereunder (including without limitation the Proposed Issue); (ii) duly completed all procedural requirements (including without limitation notification, filing, registration, disclosure and/or announcement requirements) required by any relevant governmental authority and its constitutional documents in connection with the signing of the Transaction Documents and the transactions contemplated thereunder (including without limitation the Proposed Issue) that is reasonably capable of being completed prior to the Completion; and (iii) obtained all consents and approvals by the relevant governmental authority and under its constitutional documents in connection with the signing of the Transaction Documents and the transactions contemplated thereunder (including without limitation the Proposed Issue) that is reasonably capable of being completed prior to the Completion;

- (f) there being no governmental authority or other person that has:
 - (i) requested any information in connection with or instituted or, threatened any action or investigation to restrain, prohibit or otherwise challenge the subscription for the Convertible Bonds by CCBI and/or its respective nominees, or the other transactions contemplated by the Transaction Documents to which CCBI is a party;
 - (ii) threatened to take any action as a result of or in anticipation of the subscription for the Convertible Bonds by CCBI and/or its respective nominees, or the other transactions contemplated by the Transaction Documents to which CCBI is a party; or
 - (iii) proposed or enacted any applicable laws which would prohibit, materially restrict or materially delay the subscription for the Convertible Bonds by CCBI and/or its respective nominees, or the other transactions contemplated by the Transaction Documents to which CCBI is a party and/or the operation of the Group after the Completion;
- (g) there shall not have been any suspension of the trading of the Shares on the Stock Exchange for any reason during the period between the date of the Subscription Agreement and the Completion Date (save for the purposes of clearing an announcement in respect of (i) the issue of the Convertible Bonds pursuant to the Subscription Agreement, or (ii) any transaction which is of a routine nature resulting in a temporary suspension of trading for not more than five (5) consecutive Business Days or cessation of trading of the Shares on the Stock Exchange for any reason);
- (h) the approval for the listing of and the permission to deal in the new Shares issuable upon the exercise of the conversion right under the Convertible Bonds (subject to conditions satisfactory to CCBI and the Company as may be imposed by the Stock Exchange) on the Stock Exchange shall have been obtained;
- (i) as at the date of the Subscription Agreement and the Completion Date, there being no material adverse change in the principal business, operations, Properties, conditions (financial or otherwise), personnel or prospects of the Group, nor the happening of events which may have a material adverse effect;

- (j) there shall not have occurred (i) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls; (ii) a general moratorium on commercial banking activities in Bermuda, Hong Kong or the PRC by any governmental authority; (iii) an outbreak or escalation of hostilities or act of terrorism, and which, with respect to any of (i) to (iii) above, individually or in aggregate, is or is likely to have a material adverse effect; or (iv) a suspension or material limitation of trading in securities generally on the Stock Exchange;
- (k) the Consolidated Net Asset Value of the Company is not less than HK\$2,800,000,000;
- (l) Mr. Meng shall remain as the chairman of the Board;
- (m) Mr. Meng shall remain to be the controlling shareholder of the Company, and directly or indirectly hold at least 60% of all outstanding shares in the Company;
- (n) there shall be no Encumbrance over the Shares directly or indirectly held by Mr. Meng;
- (o) CCBI having obtained a legal opinion addressed to CCBI, issued by the Bermuda legal counsel to the Company, in form and substance satisfactory to CCBI, on the Transaction Documents to which the Company is a party and the transactions contemplated thereunder; and
- (p) CCBI having obtained a legal opinion addressed to CCBI, issued by the Hong Kong legal counsel to the CCBI, in form and substance satisfactory to CCBI, on the Transaction Documents to which the Company is a party and the transactions contemplated thereunder.

CCBI may, at its absolute discretion, waive compliance with any or all of the Conditions Precedent (save and except (h) which shall not be waivable at all time) as CCBI may deem fit provided always that no such waiver shall prejudice CCBI's rights thereunder.

The Company shall use its best endeavours to ensure that the above conditions precedent (other than conditions (c), (d) and (j)) are fulfilled as soon as reasonably practicable. CCBI shall use its best endeavours to ensure that the conditions precedent (c) and (d) are fulfilled as soon as reasonably practicable and in any event no later than the Long Stop Date.

Undertaking to CCBI

Pursuant to the Subscription Agreement, from the date of the signing of the Subscription Agreement up to and including the Maturity Date, Mr. Meng shall ensure at all times that:

- (i) he shall remain as the chairman of the Board; and
- (ii) he shall remain to be the controlling shareholder of the Company, and directly or indirectly hold at least 60% of all outstanding shares in the Company.

Guarantee

Pursuant to the Subscription Agreement, Mr. Meng will execute the Guarantee. Pursuant to the Guarantee, Mr. Meng will, among other things, covenant to CCBI of the following:

- (a) for so long as the principal amount of the Convertible Bonds remain outstanding, Mr. Meng shall:
 - (1) not directly or indirectly dispose of any Shares;
 - (2) use his best endeavours to directly and indirectly support the business operations of the Company;
 - (3) use his best endeavours to procure that the articles of association of the Company shall not be amended in a manner that is, directly or indirectly, materially adverse to the interests of CCBI;
 - (4) use his best endeavours (i) to cause the Company to remain in full compliance with the Transaction Documents and all applicable laws; (ii) to promptly take any and all action necessary to comply with his obligations under the Guarantee; and (iii) to use his endeavours to cause the Company to take all action necessary in a timely manner to comply with its obligations under the Guarantee; and
 - (5) so far as permitted by applicable laws and regulations and applicable Listing Rules, give CCBI such information as it requires and considers necessary to perform and discharge its functions under the Transaction Documents.

Completion of Subscription

Completion of the Subscription Agreement shall take place on the same Business Day as the fulfilment or waiver (as the case may be) of all Conditions Precedent (or such other date as may be agreed in writing between the parties).

Principal Terms of the Convertible Bonds

The principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Company and CCBI and are summarised as follows:–

- Principal amount : a principal amount of HK\$200 million.
- Maturity Date : the last day of the two (2) calendar years commencing from (and including) the date of the Instrument, or any such other date as mutually agreed to in writing between, and shortened or extended by, the Company and CCBI.
- Conversion Price : HK\$0.78 per Conversion Share (subject to adjustment).
- Interests : 10% per annum payable in arrears every six (6) calendar months.
- Default Interests : If the Company fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable, an additional interest shall accrue on the overdue sum at the rate of 25% per annum from the due date up to (and including) the date of full payment of the overdue amount by the Company into the CCBI's bank account. Upon the occurrence of an event of default, as stated below, other than failure by the Company to pay any sum in respect of the Convertible Bonds when the same becomes due and payable, an additional interest shall accrue on the outstanding principal amount of the Convertible Bonds at the rate of 25% per annum from the date of occurrence of the event of default, as stated below, up to (and including) the date such event of default, as stated below, has been fully remedied by the Company to the satisfaction of CCBI. Such default interest shall accrue on the basis of the actual number of days elapsed and a 365-day year. Such default interest shall be payable by the Company within thirty (30) days following the due date or the date of occurrence of the event of default, as stated below (as the case may be).

Conversion period : at any time on and after the date of the issue of the Convertible Bonds up to the close of business on the Business Day immediately preceding the Maturity Date (both days inclusive, in no event thereafter).

Revival and/or Survival after Default : Notwithstanding the above, if:

- (a) the Company shall default in making payment in full in respect of any Convertible Bonds which shall have been called for redemption on the date fixed for redemption thereof;
- (b) any Convertible Bonds have become due and payable prior to its Maturity Date by reason of the occurrence of any of the events of default as stated below; or
- (c) any Convertible Bonds are not redeemed on its Maturity Date.

the Conversion Rights attached to the Convertible Bonds will revive and/or will continue to be exercisable until, and including, the close of business (at the place where the Convertible Bonds Certificate(s) evidencing the Convertible Bonds is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of the Convertible Bonds has been duly received by CCBI, notwithstanding that the conversion period may have expired before such relevant Conversion Date.

Conversion Rights : Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in integral multiples of HK\$5,000,000) of the outstanding principal amount of a Convertible Bonds held by such bondholder into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.

No fraction of a Conversion Share shall be issued on conversion of the Convertible Bonds. All Shares (including fractions thereof) issuable upon conversion of more than the Convertible Bonds held by the holder thereof shall be aggregated for purposes of determining whether the conversion would result in the issuance of any fractional share. If, after the aforementioned aggregation, the conversion would result in the issuance of any fractional share, the Company shall, in lieu of issuing any fractional share, pay cash equal to the product of such fraction multiplied by the fair market value of one Share on the Conversion Date.

- Ranking : Shares converted upon exercise of the Conversion Rights shall rank *pari passu* in all respects with all other existing Shares at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
- Transferability : The Convertible Bonds are non-transferable in whole or in part.
- Adjustment of the Conversion Price : The Conversion Price shall from time to time be adjusted upon the occurrence of the followings:
- (i) consolidation or subdivision
 - (ii) capitalisation of profits or reserves
 - (iii) distributions
 - (iv) rights issues of Shares or options over Shares
 - (v) rights issues of other securities
 - (vi) issues Shares, any options, warrants or other rights to subscribe for or purchase Shares wholly for cash at less than the Current Market Price
 - (vii) other issues of Shares at less than Current Market Price

- (viii) modification of rights of conversion: if and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in paragraph (vii) above (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than the Current Market Price on the last Trading Day preceding the date of announcement of the proposals for such modification.
- (ix) other offers of the Shares to Shareholders of the Company
- (x) other events: If the Company or CCBI determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to as stated above, the Company shall, at its own expense, consult the Experts, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, and is appropriate to give the results which the Experts consider in good faith to reflect the intention of the provisions as stated above and the date on which such adjustment should take effect and upon such determination by the Experts such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that where the circumstances giving rise to any adjustment pursuant to as stated above have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of as stated above as may be advised by the Experts to be in their opinion appropriate to give the intended result.

Listing : No application will be made by the Company for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Redemption : **(1) Maturity**

Unless previously redeemed, converted, purchased or cancelled as provided herein, the Company shall pay to CCBI on the Maturity Date an aggregate price (the “**Maturity Price**”) of (i) the outstanding principal amount of the Convertible Bonds on the Maturity Date; (ii) all accrued and unpaid interest from the Issue Date up to (and including) the Maturity Date and unpaid default interests (if any) accrued; (iii) such amount as would result in an internal rate of return of twelfth percent (12%) per annum on the outstanding principal amount of the Convertible Bonds (taking into account all paid interest (but excluding any default interest paid) and calculated on the basis of the actual number of days elapsed in a year of 365 days); and (iv) all other outstanding amounts payable by the Company to CCBI under the Transaction Documents.

(2) The Company’s Early Redemption Right

Subject to the prior written consent of CCBI, the Company shall have the right to redeem all (but not part of) outstanding principal amount in respect of such portion of the Convertible Bonds which has not been converted into Shares at the Company Redemption Price at any time during the period between the first day immediately after twelfth (12th) calendar months from the Issue Date and the twentieth (20th) Business Day immediately preceding the Maturity Date by depositing a notice of redemption with CCBI at least twenty (20) Business Days before the date of redemption. Upon receipt of such redemption notice, CCBI shall determine within ten (10) Business Days whether to exercise its Conversion Rights in respect of the whole or any part of the outstanding principal amount of the Convertible Bonds. Should CCBI exercise its Conversion Rights in respect of any part of the outstanding principal amount of the Convertible Bonds, such portion of the outstanding principal amount of the Convertible Bonds shall not be subject to redemption by the Company.

The redemption price payable by the Company for the Company's early redemption (the "**Company Redemption Price**") for the Convertible Bonds shall be the amount equivalent to the sum of (i) the outstanding principal amount of the Convertible Bonds to be redeemed, (ii) all accrued and unpaid interest from the Issue Date up to (and including) the date of full payment of the Company Redemption Price by the Company into such CCBI's Bank Account and unpaid default interests (if any) accrued, (iii) an additional one month interest on the outstanding principal amount of the Convertible Bonds at the interest rate of twelfth percent (12%) per annum, (iv) such amount as would result in an internal rate of return of no less than twelfth percent (12%) per annum on the outstanding principal amount of the Convertible Bonds from the Issue Date of the Convertible Bonds up to (and including) the date of full payment of the Company Redemption Price by the Company into such CCBI's Bank Account (taking into account all paid interest (but excluding any default interest and the additional one month interest paid) and calculated on the basis of the actual number of days elapsed in a year of 365 days), and (v) all other outstanding amounts payable by the Company to CCBI under the Transaction Documents.

The Company Redemption Price shall be payable on the date of redemption. CCBI shall at its own cost return the Convertible Bond Certificate(s) to the Company after the full payment by the Company of the Company Redemption Price. Upon the full payment of the Company Redemption Price, the relevant Convertible Bond Certificate(s) will become null and void notwithstanding the relevant Convertible Bond Certificate(s) have not been received by the Company.

(3) CCBI's Redemption Rights for Events of Default

CCBI may give a notice of redemption to the Company that the Convertible Bonds held by CCBI is, and it shall accordingly thereby become, immediately due and repayable at the redemption price (subject as provided below and without prejudice to the right of CCBI to exercise the Conversion Rights in respect of the Convertible Bonds), if any event of default occurs and is continuing.

- Event of default : If any event of default set out in the terms and conditions of the Convertible Bonds occurs, the Bondholders may give notice to the Company that the Convertible Bonds together with the interest accrued and unpaid thereon will become immediately due and repayable.
- Undertaking : (a) without the prior written consent of CCBI, no company of the Group will change the scope of the existing principal business or cease carrying on the business;
- (b) no Encumbrances will be created by Mr. Meng over the Shares directly or indirectly owned by him, except those created pursuant to the Transaction Documents;
- (c) the Company shall promptly notify CCBI of any material event or material adverse change in the condition (financial or otherwise) of the Group Companies, and of any litigation or proceedings being threatened or initiated against any of them before any court tribunal or administrative agency, which may have a material adverse effect, within five (5) Business Days after it has knowledge of the said change or of the said litigation or proceedings or threat thereof, and, to the extent as permitted by laws and contractual obligations, any information as required by CCBI in respect thereof (including, but not limited to, the amount of contingent liability if ascertainable) shall be provided to CCBI as soon as practicable after becoming aware of such information;

- (d) Mr. Meng shall remain as the chairman of the Board;
- (e) Mr. Meng shall remain as the controlling shareholder of the Company and shall hold, whether directly or indirectly, at least 60% of all outstanding shares in the Company; and
- (f) the Consolidated Net Asset Value of the Company is not less than HK\$2,800,000,000.

Ranking of the Convertible Bonds

Save and except secured by the Guarantee, the Convertible Bonds constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

Conversion Price:

The Conversion Price of HK\$0.780 per Conversion Share, representing:

- (1) a premium of approximately 16.42% to the closing price of HK\$0.670 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 17.12% to the average closing price of HK\$0.666 per Share as quoted on the Stock Exchange for the last five trading days immediately to and including the Last Trading Day; and
- (3) a premium of approximately 17.12% to the average closing price of HK\$0.666 per Share as quoted on the Stock Exchange for the last ten trading days immediately to and including the Last Trading Day.

The Conversion Price was arrived at after arm's length negotiations between the Company and CCBI with reference to the prevailing market prices of the Shares as shown above. The Directors consider the Conversion Price and the terms and conditions of the Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

2. EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 5,669,020,085 Shares in issue. The shareholding interests of the Company as at (i) the date of this announcement; (ii) immediately after the completion of the Subscription and issue of Conversion Shares, assuming all conversion rights attaching to the Convertible Bonds have been exercised prior to the completion of the Placing ; and (iii) immediately after the completion of the Subscription and the Placing, assuming all Placing Shares are subscribed and issued and all conversion rights attaching to the Convertible Bonds have been exercised are as follows:

	(i) as of the date of this announcement		(ii) immediately after the completion of the Subscription and issue of Conversion Shares, assuming all conversion rights attaching to the Convertible Bonds have been exercised prior to the completion of the Placing		(iii) immediately after the completion of the Subscription and the Placing, assuming all Placing Shares are subscribed and issued and all conversion rights attaching to the Convertible Bonds have been exercised	
	<i>Approximately</i>		<i>Approximately</i>		<i>Approximately</i>	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Substantial Shareholders						
HIL (<i>note 1</i>)	3,980,082,214	70.21	3,980,082,214	67.17	3,980,082,214	49.10
Mr. Meng	60,430,371	1.07	60,430,371	1.02	60,430,371	0.75
Sub Total	<u>4,040,512,585</u>	<u>71.27</u>	<u>4,040,512,585</u>	<u>68.19</u>	<u>4,040,512,585</u>	<u>49.85</u>
Mr. Wu Jiwei (<i>note 2</i>)	133,264,500	2.35	133,264,500	2.25	133,264,500	1.64
CCBI (Conversion from Convertible Bonds)	–	–	256,410,256	4.33	256,410,256	3.16
Public Shareholders						
Placees	–	–	–	–	2,180,000,000	26.90
Other shareholders	1,495,243,000	26.38	1,495,243,000	25.23	1,495,243,000	18.45
Total	<u>5,669,020,085</u>	<u>100.00</u>	<u>5,925,430,341</u>	<u>100.00</u>	<u>8,105,430,341</u>	<u>100.00</u>

Notes:

1. 3,980,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by Hua Jun Holding Group Co. Ltd* (華君控股集團有限公司). Mr. Meng and Madam Bao Le, spouse of Mr. Meng, held 97.5% and 2.5% respectively in Hua Jun Holding Group Co. Ltd* (華君控股集團有限公司).
2. 133,264,500 Shares are beneficially owned by Forest Tree Limited, which in turn is wholly-owned by Mr. Wu Jiwei, an executive Director.

3. GENERAL MANDATE TO ISSUE THE CONVERTIBLE BONDS AND TO ALLOT AND ISSUE THE CONVERSION SHARES UPON CONVERSION OF THE CONVERTIBLE BONDS

At the annual general meeting of the Company held on 18 August 2015, a resolution of the Shareholders was passed to grant to the Directors the General Mandate, which is to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing such resolution. The Company is authorised to issue 755,873,843 Shares under the General Mandate.

As at the date of this announcement, the Company has not exercised the power to allot and issue any new Shares pursuant to such mandate prior to the Subscription. Upon the exercise of the conversion rights of the Convertible Bonds, the Conversion Shares will be allotted and issued pursuant to the General Mandate. Accordingly, the issuance of the Convertible Bonds and the Conversion Shares (upon conversion of the Convertible Bonds) is not subject to Shareholders' approval.

4. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF NET PROCEEDS

The principal business activity of the Company is investment holding. The Group is principally engaged in the businesses of (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) trading and logistics; (iii) finance lease; (iv) provision of finance; (v) property development and investments; (vi) securities investments; (vii) medical management; and (viii) industrial equipment.

The Directors are of the view that the Subscription represents a good opportunity to raise additional funds for the Company while broadening the Shareholder's base and strengthening the capital base of the Company.

The net proceeds from the Subscription are expected to be used for repayment of loans, general investment and working capital of the Group.

5. FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FROM THE DATE OF THIS ANNOUNCEMENT

The Company has conducted the following fund raising activities in the past 12 months immediately before this announcement:

Date of initial announcement	Fund raising activities	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
18 January 2016	Subscription of the Placing Shares under special mandate of the Company	Approximately HK\$1,601.8 million	To settle part of consideration of the MOU Acquisition, part of consideration of the "A Shares" Subscription, repayment of borrowings and general working capital of the Group.	Not yet utilized as it is not yet completed.
20 January 2016	Issue of convertible bonds of an aggregate principal amount of HK\$1,330 million	Approximately HK\$1,329.5 million	HK\$1,200 million for repayment of indebtedness and HK\$129.5 million for general working capital.	all used as intended
13 February 2015, 16 February 2015 and 31 March 2015	Issue of convertible bonds of an aggregate principal amount of HK\$500 million	HK\$499.7 million	(i) Approximately HK\$124.5 million to repay part of the existing indebtedness of the Group, provide capital support to the Company to accomplish its strategic development objectives, help the Company to optimize financial structure, strengthen solvency and operation capability, underpin the continued business growth and consolidate the market position of the Company. (ii) Approximately HK\$74.7 million for finance investment or development of businesses of the Company to acquire Dalian Lugang Logistics Company Limited* (大連陸港物流基地有限公司). (iii) Approximately HK\$236.6 million for acquisition of Zhejiang Linhai Machinery Company Limited* (浙江臨海機械有限公司). (iv) Approximately HK\$63.9 million for general working capital purposes.	Used as intended with approximately HK\$46.1 million used in securities investments, approximately HK\$75.0 million used in settlement of part of the consideration for acquisition of Heqing County Sengong Forestry Development Co., Ltd.* (鶴慶縣森工林業有限公司), Ninglang Boyu Forestry Development Co., Ltd.* (寧瀛博宇林業開發有限公司) and Yangbi Yunsen Forestry Development Co., Ltd.* (漾濞雲森林業開發有限公司) and approximately HK\$3.4 million used in expanding the Group's trading business in the PRC in July 2015. All used as intended for settlement of the acquisition consideration by 18 August 2015. All used as intended for settlement of the acquisition consideration by 3 August 2015. Used as intended with approximately HK\$61.5 million used for working capital of the Group's trading business and approximately HK\$2.4 million used for payment of interest on bank borrowings in June and July 2015.

Apart from the above capital raising activities, the Company did not conduct any other fund raising on issue of equity securities in the last 12 months immediately preceding the date of this announcement.

6. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Meng is the chairman, an executive Director and a substantial shareholder of the Company and is therefore a connected person of the Company. Accordingly, Meng's Guarantee, which is a provision of financial assistance by Mr. Meng to the Company, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As Meng's Guarantee was provided for the benefit of the Company on normal commercial terms or better and no security over assets of the Group is granted in respect of Meng's Guarantee, Meng's Guarantee is exempted from the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

7. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Bondholder(s)”	the holder of the Convertible Bonds
“Business Day”	a day (other than a Saturday, Sunday or public holiday or days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which commercial banks are generally opened for banking business in Hong Kong
“CCBI”	CCB International Overseas Limited, being the subscriber to subscribe the Convertible Bonds under the Subscription Agreement
“Company”	Huajun Holdings Limited (Stock Code: 377), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange

“Conditions Precedent”	the conditions precedent of the completion of the Subscription, details of which are set out in the paragraph headed “Conditions Precedent” of this announcement
“connected persons”	has the meaning as defined in the Listing Rules
“Convertible Bonds”	convertible bonds of a principal amount of HK\$200 million, to be issued by the Company, in the denomination and integral amounts of HK\$5,000,000, pursuant to the Subscription Agreement
“Conversion Price”	the conversion price of HK\$0.78 per Conversion Share
“Conversion Shares”	the 256,410,256 new Shares, subject to adjustment, which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds by CCBI
“Consolidated Net Asset Value”	the Consolidated Total Assets less the consolidated total liabilities (including current and non-current liabilities) of the Group as at the relevant date
“Consolidated Total Assets”	the aggregate amount of current and non-current assets of the Group as at the relevant date
“Current Market Price”	in respect of a Share at a particular date, the VWAP published by or derived from Bloomberg (or its successor) for one Share (being a Share carrying full entitlement to dividend) for the five (5) consecutive Trading Days ending on the Trading Day immediately preceding such date, provided that if at any time during the said five (5) Trading Day period, the Shares shall have been quoted ex-dividend and, during some other part of that period, the Shares shall have been quoted cum-dividend then:

- (i) if the Shares to be issued in such circumstances do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; or
- (ii) if the Shares to be issued in such circumstances rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount;

and provided further that, if the Shares on each of the said five (5) Trading Days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition

“Director(s)”

director(s) of the Company

“Encumbrance(s)”

any mortgage, charge (whether fixed or floating), pledge, lien (other than lien created by operation of law), option, restriction, hypothecation, assignment, deed of trust, title retention, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any person, including any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable laws; or any lease, sub-lease, occupancy agreement, easement or covenant granting a right of use or occupancy to any Person; or any proxy, power of attorney, voting trust agreement, interest, option, right of first offer, negotiation or refusal or transfer restriction in favour of any person; or any adverse claim as to title, possession or use

“Experts”	any firm of certified public accountants or such investment bank registered for type 6 regulated activity under Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) as appointed by CCBI, which shall be independent from CCBI
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 18 August 2015 to allot, issue and deal with up to 20% of the then issued share capital of the Company as at 18 August 2015
“Group”	the Company and its subsidiaries
“Guarantee”	the deed of guarantee to be provided by Mr. Meng on the Completion Date in respect of all sums due and payable to CCBI under the Subscription Agreement and other Transaction Documents
“HIL”	Huajun International Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of the Company. The entire issued share capital of Huajun International Limited is ultimately beneficially owned by Mr. Meng and Madam Bao Le, a spouse of Mr. Meng, as to 97.5% and 2.5%, respectively
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“Instrument”	an instrument by way of deed poll to be executed by the Obligors in respect of the issue of the Convertible Bonds
“Issue Date”	the date of the Instrument

“Last Trading Day”	27 May 2016, being the last trading day before the publication of this announcement
“Listing Committee”	has the same meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date ”	31 July 2016 or any other dates as agreed in writing between CCBI and the Company
“Maturity Date”	the last day of two (2) calendar years commencing from (and including) the date of the Instrument, or any such other date as mutually agreed to in writing between, and shortened or extended by, the Company and CCBI
“Meng's Guarantee”	the guarantee provided by Mr. Meng under the Subscription Agreement and Guarantee
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder of the Company and the guarantor in respect of the punctual performance by the Company of all its obligations under the Subscription Agreement
“Obligors”	the Company and Mr. Meng
“Placing”	placing of Placing Shares
“Placing Shares”	2,180,000,000 new Shares to be placed by the Company to certain places under the specific mandate of the Company as disclosed by the Company in an announcement dated 18 January 2016, subject to approval by the Shareholders
“PRC”	The People’s Republic of China
“Proposed Issue”	the proposed issue of the Convertible Bonds
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Convertible Bonds by CCBI pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 30 May 2016 and entered into between the Company and CCBI in respect of the Subscription
“Trading Day”	a day when the Stock Exchange is open for business of dealing in securities, provided that, if no closing price for the Shares for any Trading Day published by the Hong Kong Stock Exchange is reported for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days
“Transaction Documents”	the Subscription Agreement, the Instrument, the Guarantee, the Warning Notice and any other documents relating to the transactions contemplated therein which may be entered into from time to time
“VWAP”	in respect of a Share on any Trading Day, the order book volume weighted average price of a Share published by or derived from Bloomberg (or its successor) page HK Equity VAP for such Trading Day, provided that, on any such Trading Day where such price is not available or cannot otherwise be determined as provided in the Instrument, the VWAP of a Share in respect of such Trading Day shall be the VWAP, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined
“Warning Notice”	the warning notice from CCBI and addressed to Mr. Meng
“Warranties”	the representations, warranties and covenants given or procured to be given by the Obligors as set out in the Subscription Agreement
“%”	per cent

The Code on Takeovers and Mergers

If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.

By Order of the Board

Wu Jiwei

Chief Executive Officer and Executive Director

Hong Kong, 30 May 2016

As at the date of this announcement, the Board comprises Mr. Meng Guang Bao (Chairman), Mr. Wu Jiwei (Chief Executive Officer) and Mr. Guo Song (Deputy Chief Executive Officer) as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.