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## **HUAJUN HOLDINGS LIMITED**

**華君控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

### **DISCLOSEABLE TRANSACTION AND ADVANCE TO AN ENTITY – PROVISION OF GUARANTEE**

#### **GUARANTEE AND THE COUNTER INDEMNITY**

On 19 October 2016, the Company entered into the Guarantee in favour of the Creditor, pursuant to which Company agreed to provide guarantee in respect of obligations and liabilities under the Restructuring Documents in the amount of RMB383,361,362.49 (equivalent to approximately HK\$440,865,566.86). On the same date, Mr. Meng also entered into a personal guarantee in favour of the Creditor to provide guarantee for the obligations and liabilities in respect of obligations and liabilities under the Restructuring Document.

In order to protect the interest of the Company against any loss which might be suffered by the Company under the Guarantee, Hareon Solar entered into the Counter Indemnity in favour of the Company pursuant to which Hareon Solar agreed to, among other matters, indemnify the Company for its liabilities and loss which may arise from the Guarantee.

## **LISTING RULES IMPLICATIONS**

The Provision of Guarantee constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules as one or more of the relevant percentage ratios in respect of the Provision of Guarantee exceeds 5% but is less than 25%. Therefore, the Provision of Guarantee is subject to the requirements of reporting and announcement, but is exempted from the requirement of shareholders' approval, pursuant to Chapter 14 of the Listing Rules.

Further, as the assets ratio in respect of the Provision of Guarantee exceeds 8% as defined under Rule 14.07(1) of the Listing Rules, the provision of the Provision of Guarantee also constitutes an advance to an entity, namely the Original Creditor and the Debtors, under Rule 13.13 of the Listing Rules.

## **INTRODUCTION**

The Debtors initially owe the Original Creditor the Debt. On 19 October 2016, in order to restructure the Debt, (i) the Original Creditor entered into the Debt Acquisition Agreement with the Creditor pursuant to which the Creditor will acquire the interest of the Debt from the Original Creditors and (ii) the Debtors entered into the Debt Restructuring Agreement with the Creditor in respect the obligations of the Debtors under the Debt.

At the request of the Creditor, on 19 October 2016, the Company also entered into the Guarantee in favour of the Creditor, pursuant to which Company agreed to provide guarantee in respect of obligations and liabilities under the Restructuring Documents in the amount of RMB383,361,362.49 (equivalent to approximately HK\$440,865,566.86). On the same date, Mr. Meng also entered into a personal guarantee in favour of the Creditor to provide guarantee for the obligations and liabilities in respect of obligations and liabilities under the Restructuring Documents.

## **THE GUARANTEE**

Date : 19 October 2016

Parties : (1) the Company, as guarantor for the Guarantee; and

: (2) the Creditor, as creditor for the Debt Restructuring Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Original Creditor, the Creditor and their respective ultimate beneficial owners are Independent Third Parties.

### **Guarantee liability**

Pursuant to the Guarantee, the Company guaranteed the followings:

- (1) the due performance of the obligations and liabilities under the Restructuring Documents by the Original Creditor and the Debtors; and
- (2) if the Original Creditor and/or the Debtors fails to repay any sum on or prior to the due date of any repayment pursuant to any of the Restructuring Documents, the Company shall forthwith repay such amount (including but not limited to the said guaranteed amount) upon demand by the Creditor in the capacity of a principal debtor.

The said guaranteed amount shall not exceed RMB383,361,362.49 (equivalent to approximately HK\$440,865,566.86) which is equivalent to the Debt.

If the said guaranteed amount has been irrevocably repaid (to the reasonable satisfaction of Creditor) and the Debtors does not have any other arrangement relating to the debt or obligations owed to the Creditor, the responsibilities and obligations of the Company under the Guarantee shall be released.

### **Undertakings made by the Company as a guarantor**

Pursuant to the Guarantee, the Company undertakes to the Creditor, prior to release of the Guarantor from any liability under the Guarantee, unless written approval has been obtained from the Creditor by the Company (except the undertakings (1) and (7) below which the Company is only required to make written notice to the Creditor), among other things, the Guarantor shall:

- (1) provide the following documents to the Creditor:
  - i. copy of half year consolidated financial statements that the Guarantor submitted to the Stock Exchange (including the income statement and balance sheet). Such financial statements should be prepared in accordance with HKFRSs and submitted to the Creditor within ninety (90) days after the end of each half of the financial year;

- ii. copy of audited annual consolidated financial statements that Guarantor submitted to the Stock Exchange (including the income statement and balance sheet). Such financial statements should be prepared in accordance with HKFRSs and submitted to the Creditor within one hundred twenty (120) days after the end of each financial year; and
  - iii. subject to the compliance with the Listing Rules, upon reasonably requested by the Creditor from time to time, other publicly available information in relation to the Company which have submitted to the Stock Exchange;
- (2) keep proper records and books about the Company's business; and allow the Creditor and/or any professional advisers appointed by the Creditor to inspect and check the records and books of the Company within the reasonable time after the Company fails to perform the guaranteed obligations;
- (3) notify the Creditor promptly on the following matters:
- i. any breach or potential breach of the terms of the Restructuring Documents by the Original Creditor and/or the Debtors which comes to the knowledge of the Guarantor; and
  - ii. the Company becomes aware of any major litigation or the threat of litigation;
- (4) maintain the listing status of the Company and to (i) operate the business in an appropriate and effective way; (ii) comply with all laws, regulations, approvals, agreements, obligations and duties which are applicable to the Company; and (iii) duly pay all taxes payable by the Company;
- (5) in order to maintain the due execution, legal effect, continuous validity and enforceability of the Guarantee, all consents and approvals obtained from any governmental authority or Shareholders or creditors of the Company shall be fully valid; immediately to take steps to apply for and obtain if any other approval or consent that may become necessary; and to maintain the validity of any of such approvals or consents;
- (6) ensure that the responsibilities and obligations of the Company under the Guarantee is at least equal to all other unsecured obligations or liability of the Company;
- (7) make written notice to the Creditor, when there is any change in relation to the name of the Company, Directors and addresses;

- (8) comply with all or any of its responsibilities and obligations under the Guarantee;
- (9) not to offer or provide any loan, advances, guarantees, security or in any other manner in respect of any liability or other obligation or liability of any other person's obligations or liability or obligation of the Company or be liable and/or become liable for, directly or indirectly, responsibilities and liability of other person, save and except pursuant to the terms of the Guarantee and/or the guarantees which are necessary to provide in the ordinary course of business of the Company;
- (10) buyback any Shares or reduce the issued share capital of the Company, save and except the buyback of the Shares being made pursuant to a general mandate to repurchase Shares obtained at the annual general meeting of the Company;
- (11) not to provide any form of financing to any person, save and except that the provision of such financing is part of the ordinary course of business of the Company;
- (12) not to sell, transfer, or dispose in any manner of all or any material business, assets or income of the Company, save and except the following circumstances :
  - i. the disposal of assets of the Company which is carried out in its ordinary course of business;
  - ii. in the event that cash consideration for the disposal of any assets will be received, such cash consideration is in accordance with the normal and reasonable commercial terms;
  - iii. in the event that there will be an exchange of assets, the assets exchanging for by the Company shall be comparable or superior than the assets being disposed in terms of type, value and quality; and
  - iv. the disposals that were disclosed to the Creditor prior to the signing date of the Guarantee;
- (13) not to enter into any mortgage or create any other encumbrances on any property, assets or income, save and except the following circumstances:
  - i. such mortgages and other encumbrances that were disclosed to the Creditor prior to the signing date of the Guarantee;

- ii. the possessory lien created under the ordinary course of business of the Company, which is irrelevant to the borrowing, financing or credit application; and
  - iii. as part of the ordinary course of business to purchase or obtain the goods, the mortgage or other encumbrances is created on the goods or their documents of title; and
- (14) not make or permit any act or event to occur which is possible to have significant adverse impact on the ability of the Company to perform any obligation or liability under the Guarantee (including but not limited to, any possible adverse impact on the financial position of the Company which significantly changes in its ownership or operational decisions).

### **Counter Indemnity**

In order to protect the interest of the Company against any loss which might be suffered by the Company under the Guarantee, on 19 October 2016, Hareon Solar entered into the Counter Indemnity in favour of the Company pursuant to which Hareon Solar agreed to, among other matters, indemnify the Company for its liabilities and loss which may arise from the Guarantee.

### **REASONS FOR AND BENEFITS OF THE PROVISION OF GUARANTEE**

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 Debtors are Jiangyin Hareon and Hareon Solar, which both are limited liabilities companies established in the PRC. Hareon Solar is a joint stock limited company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600401). As advised by Hareon Solar, its principal business is manufacturing, production and sales of photovoltaic and Jiangyin Hareon is its subsidiary. As advised by Hareon Solar, the principal business of Jiangyin Hareon is, among other things, research, develop, manufacture, process and sale of crystalline and monocrystalline silicon solar modules.

As disclosed in the announcement of the Company dated 18 January 2016, Huajun Power Company Limited (華君電力有限公司) and Baohuaxing Assets Management (Shenzhen) Co., Ltd.\* (保華興資產管理(深圳)有限公司), both wholly-owned subsidiaries of the Company, as subscribers, entered into a subscription agreement with Hareon Solar, as an issuer, pursuant to which the said two subsidiaries of the Company conditionally agreed to subscribe and Hareon Solar conditionally agreed to issue the shares of Hareon Solar in an aggregate consideration of RMB1,700,000,000 (approximately HK\$1,955,000,000) pursuant to the said subscription agreement. Upon the completion of the said subscription, which has not yet taken place, Huajun Power and Baohuaxing will in aggregate hold approximately 11.52% of the issued share capital of Hareon Solar, thus the Company will become a shareholder of Hareon Solar upon the completion of the said subscription and indirectly hold a total of 11.52% of the issued share capital of Hareon Solar.

The Directors consider that the provision of the Guarantee will benefit our Company. As disclosed in the announcement of the Company dated 18 January 2016, the said subscription, as a strategic investment in line with the Company's development strategy, is conducive for Huajun Power and Baohuaxing to optimize its asset allocation and integrate industrial and financial capitals in pursuit of sound synergy for its subsequent investments at relevant regions. Meanwhile, given the room for future development of Hareon Solar and prospect of photovoltaic industry, subsequent to the completion of the said subscription, it is expected to generate desirable return on investment and/or potential gains to Huajun Power and Baohuaxing.

As Huajun Power and Baohuaxing both are the wholly-owned subsidiaries of the Company, Huajun Power and Baohuaxing could optimize its resource allocation and expects to generate desirable investment return and/or potential capital gains, subsequent to the completion of the said subscription, which is in the interests of the Company and the Shareholders as a whole.

The Directors, after due consideration, agreed to provide the Guarantee and are of the view that the provision of the Guarantee will benefit our Company. Further, the execution of the Counter Indemnity by Hareon Solar in favour of the Company will give protection to the Company from exposing to the liabilities of the Company under the Guarantee.

Therefore, the Directors are of the view that the terms of the Guarantee are entered into on normal commercial terms and the terms of the Provision of Guarantee are fair and reasonable and in the interests of the Company and its shareholders as a whole.

## **INFORMATION ABOUT THE CREDITOR**

The Creditor is a branch office in Jiangsu province in the PRC of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (Stock Code: 1359), a joint stock company incorporated in the PRC and the shares of which are listed on the main board of the Stock Exchange, a limited liability company established in the PRC. The Creditor is authorised to carry out business activities within the business scope approved by the China Banking Regulatory Commission.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Creditor and its ultimate beneficial owners are Independent Third Parties.

## **INFORMATION ABOUT THE ORIGINAL CREDITOR**

The Original Creditor is a limited liability company established in the PRC and principally engaged, among other things, the manufacturing, processing, research and development and sale of monocrystalline silicon, solar water heater and solar energy photovoltaic cell and components.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Original Creditor and its ultimate beneficial owners are Independent Third Parties.

## **IMPLICATIONS UNDER CHAPTER 14 OF THE LISTING RULES**

The Provision of Guarantee constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules as one or more of the relevant percentage ratios in respect of the Provision of Guarantee exceeds 5% but is less than 25%. Therefore, the Provision of Guarantee is subject to the requirements of reporting and announcement, but is exempted from the requirement of shareholders' approval, pursuant to Chapter 14 of the Listing Rules.

Further, as the assets ratio in respect of the Provision of Guarantee exceeds 8% as defined under Rule 14.07(1) of the Listing Rules, the provision of the Provision of Guarantee also constitutes an advance to an entity, namely the Original Creditor and the Debtors, under Rule 13.13 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Counter Indemnity”	the counter indemnity date 19 October 2016 entered by Hareon Solar in favour of the Company for the liabilities and loss which may arise from the Guarantee
“Creditor”	Jiangsu branch office of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司江蘇省分公司), a branch office of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司) (Stock Code: 1359), a joint stock company incorporated in the PRC and the shares of which are listed on the main board of the Stock Exchange and an independent third party
“Debt”	in the aggregate amount of RMB383,361,362.49 (equivalent to approximately HK\$440,865,566.86)
“Debt Acquisition Agreement”	the agreement dated 19 October 2016 entered between the Original Creditor and the Creditor in relation to the transfer of the Debt from the Original Creditor to the Creditor
“Debt Restructuring Agreement”	the agreement dated 19 October 2016 entered between the Debtors and the Creditor in relation to the restructuring arrangement of the Debt
“Debtors”	Jiangyin Hareon and Hareon Solar
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Guarantee”	the guarantee agreement dated 19 October 2016 entered into between the Company in favour of the Creditor in relation to the obligations under the Restructuring Documents
“Hareon Solar”	Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司), a company incorporated in the PRC and its shares are listed on the Shanghai Stock Exchange (Stock Code: 600401) in the PRC
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party who is, 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
“Jiangyin Hareon”	Jiangyin Hareon Solar Energy Electrical Power Co., Ltd.* (江陰海潤太陽能電力有限公司), a limited liability company established in the PRC and a subsidiary of Hareon Solar
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder of the Company
“Original Creditor”	Jiangyin Xinhui Solar Energy Co., Ltd.* (江陰鑫輝太陽能有限公司), the original creditor of the Debt and a subsidiary of Hareon Solar, which transfers the Debts to the Creditor under the Debt Acquisition Agreement
“PRC”	the People’s Republic of China

“Provision of Guarantee”	the transaction contemplated under the Guarantee
“Restructuring Documents”	collectively, the Debt Acquisition Agreement, the Debt Restructuring Agreement and other document specified by the Creditor and the Original Creditor
“Shareholders”	the holders of shares of the Company
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Remenbi, the lawful currency of the PRC
“%”	per cent.

*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  
**Huajun Holdings Limited**  
**Wu Jiwei**

*Chief Executive Officer and Executive Director*

Hong Kong, 19 October 2016

*For the purpose of this announcement, translations of Renminbi into Hong Kong dollars or vice versa have been calculated by using an exchange rate of RMB1.00 = HK\$1.15. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.*

*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.*

\* *For identification purpose only*