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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 ESTABLISHMENT OF JOINT VENTURE FOR DEVELOPMENT OF PROPERTIES

THE COOPERATION AGREEMENT

The Board is pleased to announce that on 20 June 2017 (after trading hours), three of the Company's wholly-owned subsidiaries, namely, Dongguan New Island, Dongguan Hongda, and New Island Printing, entered into the Cooperation Agreement with Shenzhen Kaifu pursuant to which, among other things, Dongguan Hongda and Shenzhen Kaifu shall jointly develop the Project through the Project Company with a proposed registered capital of RMB10,000,000 to be held as to 40% by Dongguan Hongda and 60% by Shenzhen Kaifu.

* For identification purposes only

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Project constitutes a discloseable transaction for the Company and will be subject to requirements of reporting and announcement, but is exempted from the requirement of approval of the Shareholders pursuant to Chapter 14 of the Listing Rules.

GENERAL

Further announcement will be published by the Company to update Shareholders and investors of the progress of implementation of the Cooperation Agreement.

COOPERATION AGREEMENT

On 20 June 2017 (after trading hours), three of the Company's wholly-owned subsidiaries, namely, Dongguan New Island, Dongguan Hongda, and New Island Printing, entered into the Cooperation Agreement with Shenzhen Kaifu pursuant to which, among other things, Dongguan Hongda and Shenzhen Kaifu shall establish a joint venture company, the Project Company, to jointly develop the Project. The principal terms of the Cooperation Agreement are set out as follows:

Date : 20 June 2017

Parties : (a) Dongguan New Island;
(b) Dongguan Hongda;
(c) Shenzhen Kaifu; and
(d) New Island Printing.

Basic information of the Land

The Land, which is currently registered under the name of Dongguan New Island, has a total site area of approximately not less than 56,663.3 sq. m. with allowable gross floor area of not less than 92,078 sq. m. and permitted plot ratio of not less than 2.5. According to the Land Use Right Certificate, the Land was designated for industrial usage with a term of usage for 50 years.

Under the Dongguan City Master Plan published by Dongguan Urban and Rural Planning Bureau on 19 May 2017, the usage of the Land was designated as residential usage. However, the Regulatory Detailed Plan of the Land published by the Dongguan Urban and Rural Planning Bureau on 6 February 2015 indicated that the Land was designated as industrial usage. Dongguan Hongda will apply for the change of land use of the Land under the Regulatory Detailed Plan in contemplation of the Project.

Share Pledge

Following the execution of the Cooperation Agreement, New Island Printing shall assist Shenzhen Kaifu to apply to relevant authority for the registration of the Share Pledge for the purposes of securing the obligations of Dongguan Hongda under the Cooperation Agreement.

Establishment of the Project Company and contribution to the proposed registered capital of the Project Company

Following the execution of the Cooperation Agreement, Dongguan Hongda and Shenzhen Kaifu shall jointly establish a joint venture company, the Project Company, for the purposes of developing the Project. Dongguan Hongda and Shenzhen Kaifu have conditionally agreed to contribute the amount of RMB4,000,000 and RMB6,000,000 to the proposed registered capital of the Project Company, respectively.

The capital contribution to be made to the Project Company by Dongguan Hongda shall be funded by the Group's internal resources.

Upon completion of the capital contribution by Dongguan Hongda and Shenzhen Kaifu, the Project Company shall be held as to 40% by Dongguan Hongda and as to 60% by Shenzhen Kaifu.

Land Acquisition and change of land use right

Following the establishment of the Project Company, Dongguan New Island shall enter into a land use right transfer agreement with the Project Company in respect of the Land Acquisition at the Land Acquisition Consideration. Dongguan New Island shall make application to relevant authority and procure the issuance of the New Land Use Right Certificate 1 to the Project Company.

Dongguan New Island and Dongguan Hongda agreed that Shenzhen Kaifu may enter the Land to carry out advanced preparatory works such as site investigation prior to the transfer of the Land upon giving prior notice to Dongguan New Island and obtaining Dongguan New Island's consent. Dongguan New Island and Dongguan Hongda further agreed that the Land will be transferred to the Project Company within 12 months after the establishment of the Project Company and prior to the issuance of the New Land Use Right Certificate 1 by relevant authority.

Within 18 months after the establishment of the Project Company, Dongguan New Island and Dongguan Hongda shall remove all existing plants and structure on the Land at their own costs pursuant to the Cooperation Agreement.

After the transfer of the Land from Dongguan New Island to the Project Company and issuance of the New Land Use Right Certificate 1, Dongguan Hongda shall jointly prepare for the application to change the Land's usage to category 2 residential usage and apply for the issuance of New Land Use Right Certificate 2 by relevant authority.

Basis of the Land Acquisition Consideration

The Land Acquisition Consideration was arrived at after arm's length negotiations among Dongguan New Island, Dongguan Hongda, Shenzhen Kaifu, and New Island Printing after taking into account a number of factors including the anticipated sales of units after completion of the Project, the involvements of respective parties in the Project and the costs of the Land incurred by Dongguan New Island. Accordingly, the Land Acquisition Consideration is considered by the Board to be fair and reasonable and in the interests of the Group and its Shareholders as a whole.

Project Land Consideration

Dongguan Hongda and Shenzhen Kaifu have agreed to bear the Project Land Consideration in proportion to their respective shareholdings in the Project Company. The Project Land Consideration shall be payable in seven instalments in accordance with the terms of the Cooperation Agreement.

Management of the Project Company

The board of directors of the Project Company shall consist of 3 directors. Dongguan Hongda shall nominate 1 director and Shenzhen Kaifu shall nominate 2 directors. The chairman of the board of directors of the Project Company shall be a director nominated by Shenzhen Kaifu who shall act as the legal representative of the Project Company. The supervisor of the Project Company shall be nominated by Shenzhen Kaifu.

Shenzhen Kaifu shall be responsible for the operations of the Project Company including market positioning, layout plan design, budget forecast, formulation of operation plan, construction, marketing, operation, etc. Dongguan Hongda will be entitled to appoint two officers in the Project Company to participate in the Project and to monitor the financial condition and operations of the Project Company.

Shenzhen Kaifu will be entitled to charge the Project Company (1) management fees at 2%; (2) marketing fees at 2.1%; and (3) construction service fees at 2% of the sales revenue (based on the amount in signed sale contracts of the Project) of the Project Company.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT AND THE PROJECT

The principal activities of the Group are: (i) sale and manufacturing of high quality multicolour 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) manufacturing and sales of industrial equipment; and (viii) manufacturing and sales of photovoltaic products.

The Group would benefit from the Project by realising the inherent value of the Land, thus generating a greater return for the Shareholders.

The terms of the Cooperation Agreement have been arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors) have confirmed that the terms of the Cooperation Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole.

FINANCIAL IMPACT OF THE PROJECT

It is expected that the Group will record a gain on disposal of the Land of approximately RMB402.5 million derived from the Land Acquisition Consideration less the total carrying value of the Land and the buildings thereon of approximately RMB48 million. 40% of the gain on disposal of the Land will be deferred in recognition in profit or loss of the Group's consolidated financial statement until the Project Company has generated revenue from the sale of properties of the Project. The actual amount of gain arising from the Project to be recognised by the Group will be subject to final audit by the Company's auditors. The Directors expect that the net proceeds of approximately RMB191.0 million from the Project after deducting the expenses directly attributable thereto will be used to finance the Project, the relocation of the production facilities of Dongguan New Island and the removal of existing plants and structure on the Land.

INFORMATION OF SHENZHEN KAIFU

Shenzhen Kaifu is a company incorporated in the PRC with limited liability and is an associate of 萬科企業股份有限公司 (China Vanke Co., Ltd.*), a joint stock company incorporated in the PRC with limited liability, whose A shares and H shares are listed on the Shenzhen Stock Exchange and the Stock Exchange, respectively.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, Shenzhen Kaifu and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

IMPLICATIONS OF THE LISTING RULES

As certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Project constitutes a discloseable transaction for the Company and will be subject to requirements of reporting and announcement, but is exempted from the requirement of the approval of the Shareholders pursuant to Chapter 14 of the Listing Rules.

Further announcement will be published by the Company to update Shareholders and investors of the progress of implementation of the Cooperation Agreement.

TERMS USED IN THIS ANNOUNCEMENT

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

“Board”	the board of Directors;
“Company”	Huajun Holdings Limited (華君控股有限公司*) (stock code: 377), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“Cooperation Agreement”	the cooperation agreement dated 20 June 2017 entered into between Dongguan New Island, Dongguan Hongda, Shenzhen Kaifu, and New Island Printing;
“Director(s)”	director(s) of the Company;
“Dongguan City Master Plan”	東莞市城市總體規劃 (Dongguan City Master Plan*) published by Dongguan Urban and Rural Planning Bureau on 19 May 2017;
“Dongguan Hongda”	東莞宏大地產有限公司 (Dongguan Hongda Properties Company Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“Dongguan New Island”	東莞新洲印刷有限公司 (Dongguan New Island Printing Company Limited*), a company established in the PRC with limited liability and a wholly-owned subsidiary of New Island Printing;
“Dongguan Urban and Rural Planning Bureau”	東莞市城鄉規劃局 (Dongguan Urban and Rural Planning Bureau*);
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Land”	a piece of land currently registered under the name of Dongguan New Island located at 中國廣東省東莞市大嶺山鎮大嶺山科技工業園區科苑橫路以南 (South of Keyuan Heng Road, Da Ling Shan Science & Industrial Park, Da Ling Shan, Dongguan, Guangdong Province, PRC*);

“Land Acquisition”	the acquisition of the Land by the Project Company from Dongguan New Island at the Land Acquisition Consideration;
“Land Acquisition Consideration”	the total consideration of RMB450,547,822 for the Land Acquisition;
“Land Use Right Certificate”	the land use right certificate numbered 東府國用(2002)字第特150號 issued to Dongguan New Island on 21 May 2002 in respect of its use of the Land for industrial use;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Island Printing”	New Island Printing Company Limited (新洲印刷有限公司), a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company;
“New Land Use Right Certificate 1”	the new land use right certificate to be issued to the Project Company in respect of its use of the Land for industrial usage;
“New Land Use Right Certificate 2”	the new land use right certificate to be issued to the Project Company in respect of its use of the Land for category 2 residential usage;
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Project”	the 東莞市大嶺山鎮科苑橫路項目 (Dongguan City Da Ling Shan Zhen Ke Yuan Heng Lu Project*) contemplated under the Cooperation Agreement for proposed development of residential properties by the Project Company on the Land;
“Project Company”	the company with limited liability to be established in the PRC by Dongguan Hongda and Shenzhen Kaifu pursuant to the Cooperation Agreement and will be held as to 40% by Dongguan Hongda and as to 60% by Shenzhen Kaifu;

“Project Land Consideration”	the aggregate amount of the Land Acquisition Consideration and all taxes and expenses in relation to the Land Acquisition;
“Regulatory Detailed Plan”	控制性詳細規劃 (Regulatory Detailed Plan*) of the Land published by the Dongguan Urban and Rural Planning Bureau on 6 February 2015;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Share Pledge”	the pledge of 60% equity interests in Dongguan New Island by New Island Printing in favour of Shenzhen Kaifu pursuant to the Cooperation Agreement;
“Shareholder(s)”	holder(s) of the Share(s);
“Shenzhen Kaifu”	深圳市凱福投資實業有限公司 (Shenzhen City Kaifu Investment Enterprise Company Limited*), a company established in the PRC with limited liability;
“sq. m.”	square metre;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules;
“%”	per cent.

By order of the Board
Huajun Holdings Limited
Meng Guang Bao
Chairman and Executive Director

Hong Kong, 20 June 2017

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.

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