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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 AND CONNECTED TRANSACTION
IN RELATION TO DISPOSAL AND
DEEMED DISPOSAL OF APPROXIMATELY 22.00%
EQUITY INTERESTS IN AGGREGATE
IN CANDICE GROUP LIMITED BY THE COMPANY**

THE TRANSACTIONS

The Board is pleased to announce that on 28 September 2017 (after trading hours), (i) Huajun Logistics, an indirect wholly-owned subsidiary of the Company, Gather Take and On Win entered into the Sale and Purchase Agreement, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares (representing 23.00% equity interests in Candice Group as at the date of this announcement) for the Sale Consideration upon the terms and conditions set out in the Sale and Purchase Agreement; and (ii) Candice Group, an indirect non-wholly-owned subsidiary of the Company, entered into the Subscription Agreement with On Win, Mr. Ng and Evergrace Fund, pursuant to which Candice Group has agreed to issue and allot to the Subscribers, and the Subscribers have agreed to subscribe for, a total of 40,000 Subscription Shares at the Subscription Price upon the terms and conditions set out in the Subscription Agreement.

Completion of the Transactions are inter-conditional.

As at the date of this announcement, Candice Group is owned as to 51.00% by Huajun Logistics and 49.00% by Gather Take. Upon completion of the Transactions, Candice Group will be owned as to 29.00% by the Company and will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER LISTING RULES

Immediately following the Transactions, the shareholding of the Company in Candice Group will be decreased to 29.00%. The Transactions constitute a deemed disposal of the Company's interests in Candice Group under Rule 14.29 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 Transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

As at the date of this announcement, Gather Take is a substantial shareholder of Candice Group. Evergrace Fund has 100 management shares in issue, all of which are owned by Huajun Financial Holdings Group Limited, which in turn is owned as to 80.00% by the Company and 20.00% by certain employees of the Group (who are not Directors) through a special purpose vehicle. Prior to completion of the Transactions, Evergrace Fund will have 1,279,753 Class A Shares in issue, which will be owned as to approximately 36.05% and 63.95% by Mr. Wu and employees of the Group who are not Directors, respectively. The management shares of Evergrace Fund have voting rights in general meetings of Evergrace Fund. Whilst the Class A Shares do not have voting rights in general meetings of Evergrace Fund, the investments in Candice Shares by Evergrace Fund will be vested in the holders of the Class A Shares. Mr. Ng is a director of each of Candice Group and Huajun Logistics. Accordingly, each of Gather Take, Evergrace Fund, Mr. Ng and Mr. Wu is a connected person of the Company under the Listing Rules. As all the applicable percentage ratios are less than 5%, the Transactions constitute a partially-exempt connected transaction for the Company which is subject to reporting, announcement but exempt from the circular (including advices from independent financial adviser and independent board committee) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Completion of the Transactions is subject to the fulfilment or waiver of the conditions precedent set out in the Agreements. Accordingly, the Transactions may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

THE TRANSACTIONS

The Board is pleased to announce that on 28 September 2017 (after trading hours), (i) Huajun Logistics, an indirect wholly-owned subsidiary of the Company, Gather Take and On Win entered into the Sale and Purchase Agreement, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase the Sale Shares (representing 23.00% equity interests in Candice Group as at the date of this announcement) for the Sale Consideration upon the terms and conditions set out in the Sale and Purchase Agreement; and (ii) Candice Group, an indirect non-wholly-owned subsidiary of the Company, entered into the Subscription Agreement with On Win, Mr. Ng and Evergrace Fund, pursuant to which Candice Group has agreed to issue and allot to the Subscribers and the Subscribers have agreed to subscribe for the Subscription Shares at the Subscription Price upon the terms and conditions set out in the Subscription Agreement.

THE SALE AND PURCHASE AGREEMENT

Principal terms of the Sale and Purchase Agreement are set out as follows:

Date

28 September 2017

Parties

Vendors : (i) Huajun Logistics; and
(ii) Gather Take.

Gather Take is a substantial shareholder of Candice Group and is therefore a connected person of the Company under the Listing Rules.

Purchaser : On Win.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, On Win is a third party independent of the Company and its connected persons.

Sale Consideration

The Sale Consideration is HK\$9,461,970.00 which shall be paid by cash or by telegraphic transfer to the designated bank account or by any other means that may be agreed between the Parties by the Purchaser to the Vendors on completion of the Sale and Purchase Agreement and the respective committed portions in which the Vendors and Purchaser have agreed to sell and purchase, for the Sale Shares are set out as follows:

Name of the Vendors	Number of Sale Shares to be sold	Consideration to be received (HK\$)
Huajun Logistics	10,400	4,278,456.00
Gather Take	<u>12,600</u>	<u>5,183,514.00</u>
	Total:	
	<u>23,000</u>	<u>9,461,970.00</u>

Name of the Purchaser	Number of Sale Shares to be purchased	Consideration to be paid (HK\$)
On Win	<u>23,000</u>	<u>9,461,970.00</u>

The Sale Consideration is determined with reference to the net asset value attributable to the Sale Shares in the amount of HK\$9,461,970.00 in accordance with the unaudited consolidated management accounts of Candice Group for the year ended 31 March 2017.

The Board (excluding Mr. Wu but including the independent non-executive Directors) considers that the Sale Consideration is fair and reasonable and on normal commercial terms.

Conditions precedent

Completion of the Sale and Purchase Agreement shall be conditional upon the fulfilment of the following conditions precedent at or before 4:00 p.m. on the Long Stop Day:

- (i) the due execution of the Subscription Agreement by all parties thereto on the date of the Sale and Purchase Agreement;
- (ii) all necessary consents, approvals, permits and/or authorisations in respect of the transactions contemplated under the Sale and Purchase Agreement having been obtained; and
- (iii) the fulfilment of the conditions precedent of the Subscription Agreement at or before 4:00 p.m. on the Long Stop Date.

Completion

Subject to the fulfillment of the conditions precedent of the Sale and Purchase Agreement, completion of the Sale and Purchase Agreement shall take place on the third Business Day immediately following the date on which all the conditions precedent of the Sale and Purchase Agreement are fulfilled (or on such other day as the Vendors and the Purchaser may agree).

THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement are set out as follows:

Date

28 September 2017

Parties

Issuer : Candice Group

Subscribers : (i) On Win;
(ii) Mr. Ng; and
(iii) Evergrace Fund.

Evergrace Fund has 100 management shares in issue, all of which are owned by Huajun Financial Holdings Group Limited, which in turn is owned as to 80.00% by the Company and 20.00% by certain employees of the Group (who are not Directors) through a special purpose vehicle. Prior to completion of the Transactions, Evergrace Fund will have 1,279,753 Class A Shares in issue, which will be owned as to approximately 36.05% and 63.95% by Mr. Wu and employees of the Group who are not Directors, respectively. The management shares of Evergrace Fund have voting rights in general meetings of Evergrace Fund. Whilst the Class A Shares do not have voting rights in general meetings of Evergrace Fund, the investments in Candice Shares by Evergrace Fund will be vested in the holders of the Class A Shares. Mr. Ng is a director of each of Candice Group and Huajun Logistics. Accordingly, each of Evergrace Fund, Mr. Ng and Mr. Wu is a connected person of the Company under the Listing Rules.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, On Win is a third party independent of the Company and its connected persons.

Consideration

The aggregate consideration for the Subscription at the Subscription Price is HK\$16,455,600 and the respective committed portions in which the Subscribers have agreed to subscribe for the Subscription Shares are set out as follows:

Name of the Subscribers	Number of new Candice Shares to be subscribed for	Amount Payable (HK\$)
On Win	5,000	2,056,950.00
Mr. Ng	4,200	1,727,838.00
Evergrace Fund	<u>30,800</u>	<u>12,670,812.00</u>
	Total:	<u>40,000</u> <u>16,455,600.00</u>

The Subscription Price was determined after arm's length negotiations between Candice Group and the Subscribers after taking into account, among other things, (i) the historical financial performance of Candice Group, including the unaudited net asset value of Candice Group as set out in the section headed "Financial information of Candice Group" of this announcement; (ii) the operating performance of Candice Group; (iii) the business prospect of Candice Group; and (iv) the current market conditions in the PRC.

Conditions precedent

Completion of the Subscription Agreement shall be conditional upon the fulfilment of the following conditions precedent at or before 4:00 p.m. on the Long Stop Day:

- (i) the due execution of the Sale and Purchase Agreement by all parties thereto on the date of the Subscription Agreement;
- (ii) all necessary consents, approvals, permits and/or authorisations in respect of the transactions contemplated under the Subscription Agreement having been obtained; and
- (iii) the fulfilment of the conditions precedent of the Sale and Purchase Agreement at or before 4:00 p.m. on the Long Stop Date.

Completion

Subject to the fulfillment of the conditions precedent of the Subscription Agreement, completion of the Subscription Agreement shall take place on the third Business Day immediately following the date on which all the conditions precedent of the Subscription Agreement are fulfilled (or on such other day as all the Subscribers may agree).

SHAREHOLDING STRUCTURE OF CANDICE GROUP

Shareholders of Candice Group	Immediately before the Transactions		Immediately after the Transactions	
	<i>Number of Candice Shares</i>	<i>% of shareholdings</i>	<i>Number of Candice Shares</i>	<i>% of shareholdings</i>
Huajun Logistics ^(Note 1)	51,000	51.00	40,600	29.00
Gather Take ^(Note 2)	49,000	49.00	36,400	26.00
Evergrace Fund ^(Note 3)	0	0.00	30,800	22.00
Mr. Ng	0	0.00	4,200	3.00
On Win	0	0.00	28,000	20.00
Total:	100,000	100.00	140,000	100.00

Notes:

1. Huajun Logistics is wholly owned by Ready Concept Limited, which is in turn wholly owned by the Company.
2. Gather Take is owned as to 34.00%, 33.00% and 33.00% by Mr. Ng, Ms. Qiu Wei Hong and Mr. Zhao Wei, respectively, all of whom are directors of Candice Group.
3. Evergrace Fund has 100 management shares in issue, all of which are owned by Huajun Financial Holdings Group Limited, which in turn is owned as to 80.00% by the Company and 20.00% by certain employees of the Group (who are not Directors) through a special purpose vehicle. Prior to completion of the Transactions, Evergrace Fund will have 1,279,753 Class A Shares in issue, which will be owned as to approximately 36.05% and 63.95% by Mr. Wu and employees of the Group who are not Directors, respectively. The management shares of Evergrace Fund have voting rights in general meetings of Evergrace Fund. Whilst the Class A Shares do not have voting rights in general meetings of Evergrace Fund, the investments in Candice Shares by Evergrace Fund will be vested in the holders of the Class A Shares. Upon completion of the Transactions, Mr. Wu and employees of the Group who are not Directors will indirectly own approximately 7.93% and 14.07% interests in Candice Group, respectively, through Evergrace Fund.
4. Mr. Ng is a director of each of Candice Group and Huajun Logistics.

INFORMATION OF THE COMPANY

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

INFORMATION OF GATHER TAKE

As at the date of this announcement, the principal activity of Gather Take is investment holding.

INFORMATION OF EVERGRACE FUND

Evergrace Fund has 100 management shares in issue, all of which are owned by Huajun Financial Holdings Group Limited, which in turn is owned as to 80.00% by the Company and 20.00% by certain employees of the Group (who are not Directors) through a special purpose vehicle. Prior to completion of the Transactions, Evergrace Fund will have 1,279,753 Class A Shares in issue, which will be owned as to approximately 36.05% and 63.95% by Mr. Wu and employees of the Group who are not Directors, respectively. The management shares of Evergrace Fund have voting rights in general meetings of Evergrace Fund. Whilst the Class A Shares do not have voting rights in general meetings of Evergrace Fund, the investments in Candice Shares by Evergrace Fund will be vested in the holders of the Class A Shares.

INFORMATION OF ON WIN

As at the date of this announcement, On Win is a wholly-owned subsidiary of China Ruifeng, and the principal activity of On Win is investment holding.

INFORMATION OF CANDICE GROUP

As at the date of this announcement, Candice Group is owned as to 51.00% by the Company through Huajun Logistics and 49.00% by Gather Take. Candice Group owns 100% equity interests in Candice Development Limited (華君電子科技集團有限公司), which is a company incorporated in the British Virgin Islands with limited liability and principally engaged in trading and logistics. The principal activity of Candice Group is investment holding. The authorised share capital of Candice Group is HK\$380,000 divided into 38,000,000 Candice Shares and the issued share capital of Candice Group is HK\$1,000 divided into 100,000 Candice Shares. Upon completion of the Transactions, Candice Group will cease to be a subsidiary of the Company.

FINANCIAL INFORMATION OF CANDICE GROUP

Set out below is the financial information of Candice Group:

	For the year ended 31 March	
	2016	2017
	(unaudited)	(unaudited)
	(HK\$'000)	(HK\$'000)
Net profit for the year before taxation	17,723	15,584
Net profit for the year after taxation	14,495	13,335

The unaudited consolidated net asset value and consolidated total asset value of Candice Group as at 31 March 2017 were approximately HK\$39,180,000 and approximately HK\$128,365,000, respectively.

FINANCIAL IMPACT OF THE TRANSACTIONS ON THE GROUP

Immediately following the Transactions, the shareholding of the Company in Candice Group will be reduced from 51.00% to 29.00% and Candice Group will cease to be a subsidiary of the Company, accordingly, Candice Group's financial results, assets, liabilities and cash flows will no longer be consolidated into the Company's consolidated financial statements.

It is expected that the Group will recognise a gain in its consolidated income statement of approximately HK\$304,000 arising from the Transactions, which is calculated by reference to the net asset value in the unaudited consolidated management accounts of Candice Group and the consideration to be received by Huajun Logistics. The actual amount of gain arising from the Transactions to be recognised by the Group will be subject to final audit by the Company's auditors. There will be no material financial impact on the Group resulting from the Subscription.

The Directors expect that the net proceeds of approximately HK\$4,000,000 from the Transactions after deducting the expenses directly attributable thereto will be used for general working capital of the Group.

REASONS AND BENEFITS OF THE TRANSACTIONS

The Board considers that the Transactions will enhance the Group's focus on other core business segments with faster return. The Directors are of the view that the Transactions will improve the liquidity and overall financial position of the Group.

Accordingly, the Board (excluding Mr. Wu but including the independent non-executive Directors) is of the view that the Transactions are fair and reasonable and on normal commercial terms and entering into the Agreements are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Immediately following the Transactions, the shareholding of the Company in Candice Group will be diluted to 29.00%. The Transactions constitute a deemed disposal of the Company's interests in Candice Group under Rule 14.29 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 Transactions constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

As at the date of this announcement, Gather Take is a substantial shareholder of Candice Group. Evergrace Fund has 100 management shares in issue, all of which are owned by Huajun Financial Holdings Group Limited, which in turn is owned as to 80.00% by the Company and 20.00% by certain employees of the Group (who are not Directors) through a special purpose vehicle. Prior to completion of the Transactions, Evergrace Fund will have 1,279,753 Class A Shares in issue, which will be owned as to approximately 36.05% and 63.95% by Mr. Wu and employees of the Group who are not Directors, respectively. The management shares of Evergrace Fund have voting rights in general meetings of Evergrace Fund. Whilst the Class A Shares do not have voting rights in general meetings of Evergrace Fund, the investments in Candice Shares by Evergrace Fund will be vested in the holders of the Class A Shares. Mr. Ng is a director of each of Candice Group and Huajun Logistics. Accordingly, each of Gather Take, Evergrace Fund, Mr. Ng and Mr. Wu is a connected person of the Company under the Listing Rules. As all the applicable percentage ratios are less than 5%, the Transactions constitute a partially-exempt connected transaction for the Company which is subject to reporting, announcement but exempt from the circular (including advices from independent financial adviser and independent board committee) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Completion of the Transactions is subject to the fulfilment or waiver of the conditions precedent set out in the Agreements. Accordingly, the Transactions may or may not proceed to completion. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Agreements”	the Sale and Purchase Agreement and the Subscription Agreement;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day (other than Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks are generally open in Hong Kong for general banking business throughout their normal business hours;
“Candice Group”	Candice Group Limited (華君科技集團有限公司), a company incorporated in the Cayman Islands with limited liability, which is owned as to 51.00% by Huajun Logistics and 49.00% by Gather Take as at the date of this announcement;
“Candice Shares”	ordinary shares of HK\$0.01 each in the share capital of Candice Group;
“China Ruifeng”	China Ruifeng Renewable Energy Holdings Limited (中國瑞風新能源控股有限公司) (Stock code: 527), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“Class A Shares”	the redeemable non-voting Class A shares of Evergrace Fund;
“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;

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Evergrace Fund”	Evergrace Fund Limited, an exempted company incorporated in the Cayman Islands with limited liability to operate as a private investment fund;
“Gather Take”	Gather Take Development Limited (滙進發展有限公司), a company incorporated in the British Virgin Islands with limited liability and is owned as to 34.00%, 33.00% and 33.00% by Mr. Ng, Ms. Qiu Wei Hong and Mr. Zhao Wei, respectively, all of whom are directors of Candice Group;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huajun Financial Holdings Group Limited”	an exempted company incorporated in the Cayman Islands with limited liability and a non-wholly-owned subsidiary of the Company;
“Huajun Logistics”	Huajun Logistics Co. Limited (華君物流有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	31 October 2017 or such later date as the parties to the Agreements may agree in writing;
“Mr. Ng”	Mr. Ng Yuk Ping (吳玉平), is a director of each of Candice Group and Huajun Logistics;
“Mr. Wu”	Mr. Wu Jiwei (吳繼偉), an executive Director, a director of Candice Group and a director of Huajun Logistics;
“On Win”	On Win Corporation Limited (進盈有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Ruifeng;

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
“Purchaser”	On Win;
“Ready Concept Limited”	a company incorporated in the British Virgin Islands with limited liability;
“Sale”	the sale and purchase of the Sale Shares contemplated under the Sale and Purchase Agreement;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 28 September 2017 entered into by the Vendors and the Purchaser;
“Sale Consideration”	HK\$9,461,970.00, being the consideration for the Sale Shares;
“Sale Shares”	23,000 Candice Shares;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber(s)”	On Win, Mr. Ng and Evergrace Fund;
“Subscription Agreement”	the subscription agreement dated 28 September 2017 entered into by Candice Group and the Subscribers;
“Subscription”	the subscription for the Subscription Shares pursuant to the Subscription Agreement;
“Subscription Price”	HK\$411.39 per Subscription Share;
“Subscription Shares”	40,000 new Candice Shares to be allotted and issued pursuant to the Subscription Agreement;

“substantial shareholder” has the meaning ascribed thereto under the Listing Rules;
“Transactions” the Sale and the Subscription;
“Vendors” Huajun Logistics and Gather Take; and
“%” per cent.

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

Hong Kong, 28 September 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.

* *For identification purposes only*