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HUAJUN INTERNATIONAL GROUP LIMITED

華君國際集團有限公司

(formerly known as Huajun Holdings Limited 華君控股有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN YINGKOU ECONOMIC TECHNOLOGY DEVELOPMENT ZONE SHANGFANG REAL ESTATE LIMITED*

THE ACQUISITION

The Board is pleased to announce that on 16 July 2018 (after trading hours), the Vendors, entered into the Equity Transfer Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Target Equity Interest at the Consideration of RMB135,000,000 , subject to adjustment.

Upon Completion, the Target Company will become the indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

DISPOSAL

As part of the Consideration, being in aggregate of RMB91,637,500, will be set off against the amount of consideration to be paid by the Vendors in respect of the transfers of the Property A and Property B by the Target Company to the Vendors after the Completion Date, such transfers may constitute the disposal of assets by the Company and subject to Chapter 14 of the Listing Rules.

IMPLICATIONS UNDER LISTING RULES

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

Furthermore, based on the information available to the Company as at the date of this announcement, as certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Disposal will 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 the Property A and Property B are still under construction, the value of the Property A and Property B cannot be ascertained therefore the asset ratio cannot be determined as at the date of this announcement. The Company will recalculate all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) upon the construction of the Property A and Property B having been completed. Should any of the then applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) equal to or exceed 25%, the Company will issue an announcement and/or seek its shareholders approval, as case required, in accordance to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment and/or waiver (as the case may be) of the Conditions set out in the Equity Transfer Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

The Board is pleased to announce that on 16 July 2018 (after trading hours), the Vendors entered into the Equity Transfer Agreement with the Purchaser, an indirect wholly-owned subsidiary of the Company, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to purchase, the Target Equity Interest at the Consideration of RMB135,000,000, subject to adjustment.

EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are set out as follows:

Date : 16 July 2018

Parties : Vendors: Zhao Shifu* (趙士福) and Feng Xingbo* (豐興波)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of the Vendors is the Independent Third Party

Purchaser: Baohua Real Estates Management (China) Co., Ltd.* (保華置業管理(中國)有限公司), the indirect wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, the Target Equity Interest, representing the entire equity interest of the Target Company at the Consideration. As at the date of this announcement, as advised by the Vendors, Zhao Shifu* (趙士福) and Feng Xingbo* (豐興波) hold 60% and 40% equity interest in the Target Company, respectively.

As advised by the Vendor, the Target Company currently owns a land parcel of 38,120 square meters and construction of commercial and residential property development project (the “**Property Development**”) on the said land parcel is in progress.

Upon Completion, the Target Company will become the indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Consideration

The Consideration shall be RMB135,000,000, subject to adjustment, which shall be settled by the Purchaser in the following manners:

- (a) a sum of RMB5,000,000, being the refundable deposit (the “**Refundable Deposit**”), will be paid upon signing of the Equity Transfer Agreement to the bank account of the Target Company, which will be in the custody of the Purchaser and applied for settling the construction fee incurred by the Target Company; upon the Purchaser confirms that the outstanding construction fee is settled, the remaining balance will then transfer to the Vendors;
- (b) a sum of RMB35,000,000 in cash will be paid to the Vendors within 30 days from the Completion Date;
- (c) a sum of RMB6,637,500 will be set off by transfer of Property A by the Target Company to the Vendors after the Completion Date, subject to the signing of the relevant documents for the transfer of Property A by the Vendors;
- (d) a sum of RMB85,000,000 will be set off by transfer of Property B by the Target Company to the Vendors after the Completion Date, subject to the signing of the relevant documents for the transfer of Property B by the Vendors; and
- (e) a sum of RMB3,362,500 in cash will be paid to the Vendors after all Debts have been novated from the Target Company to the Vendors to the satisfaction of the Purchaser.

The initial Consideration of RMB135,000,000 will be subject to adjustment based on the valued amount of the Target Equity Interest (the “**Target Value**”) to be valued by an independent valuer (the “**Valuer**”) engaged by the Purchaser at any time as requested by the Purchaser (regardless of whether before or after the Completion). If the Target Value is less than RMB135,000,000, the Consideration shall be adjusted downward to the Target Value accordingly on a dollar to dollar basis. If the Target Value is equal to or more than RMB135,000,000, there will not be any adjustment to the Consideration.

The Purchaser has the sole discretion to decide on how to deduct the Consideration, including but not limited to not transfer part or whole of the Property A and Property B, and the Vendors shall not have any dispute against the said arrangement or calculation by the Purchaser.

The Consideration is determined after arm’s length negotiation between the Company and the Purchaser with reference to the total asset value of the Target Company in the sum of RMB152,853,000 as at 30 June 2018. As such, the Board considers that the Consideration is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

It is expected that the Consideration will be funded by the internal resources of the Group.

Conditions precedent

Completion is subject to the fulfillment of the following Conditions on or before the Conditions Fulfillment Date:

- (a) the Vendors are the legal and beneficial owners of the Target Equity interest, which is free from any encumbrance or third party's rights;
- (b) the Target Company is the legal and beneficial owner of all assets held by the Target Company, including but not limited to the lands and properties, which is free from any encumbrance or third party's rights;
- (c) the Completion will be undertaken to the satisfaction of the Purchaser and in accordance with the laws of the PRC;
- (d) the management of Target Company having no material change, and not having done any act which may result in negative impact on the business, assets, properties, financial condition, operation and prospect of Target Company before and at the Completion Date, and the warranties having remained true and accurate in all respects as at the Completion Date;
- (e) the Vendors have obtained all necessary approvals and authorisations from third parties in respect of the Acquisition and relevant matters; and
- (f) the Purchaser has received and being satisfied with the valuation report prepared by the Valuer and all certificates evidencing the Target Company's ownership of assets of, including but not limited to the certificates of all land use right and properties, if applicable.

If any of the Conditions has not been fulfilled by the Conditions Fulfillment Date, the Equity Transfer Agreement shall lapse. The Vendors shall refund all amounts previously received from the Purchaser (including but not limited to the Refundable Deposit), with interest, to the Purchaser forthwith. Upon the due receipt of the said payment by the Purchaser and save for any antecedent breach of the Equity Transfer Agreement, none of the parties shall make any claims against any other parties pursuant to the terms and conditions of the Equity Transfer Agreement.

Completion

Completion shall take place upon the occurrences of the following events:

- (a) all Conditions have been fulfilled on or before the Conditions Fulfillment Date;
- (b) the registration of the change of ownership of the Target Equity Interest from the Vendors to the Purchaser or its nominee has completed with the government authorities;
- (c) the registrations of changes of legal representatives, directors and supervisors of the Target Company have completed with the government authorities; and
- (d) all corporate documents, land and properties certificates, company stamps and all other relevant documents of the Target Company have been passed to the Vendors.

DISPOSAL

As part of the Consideration in aggregate of RMB91,637,500 will be set off against the consideration amount to be paid by the Vendors in respect of the transfers of the Property A and Property B by the Target Company to the Vendors after the Completion Date, such transfers may constitute the disposal of assets by the Company and subject to Chapter 14 of the Listing Rules.

The consideration for the Property A is determined after arm's length negotiation between the Company and the Purchaser with reference to the market price.

The consideration for the Property B is determined after arm's length negotiation between the Company and the Purchaser with reference to the market price.

As such, the Board considers that the considerations for the Property A and Property B are fair and reasonable and on normal commercial terms.

INFORMATION OF THE VENDORS

As informed by the Vendors, each of them is the citizen and a businessman in the PRC and Independent Third Party.

INFORMATION OF THE PURCHASER

As at the date of this announcement, the Purchaser, a company established in the PRC and an indirect wholly-owned subsidiary of the Company, is principally engaged in the real estate information consultation.

INFORMATION OF THE TARGET COMPANY

As advised by the Vendors, the Target Company is a company established in the PRC with limited liability, which is held by the Vendor A and Vendor B as to 40% and 60%. As further advised by the Vendors, the Target Company is principally engaged in, among other things, property development.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The unaudited financial information of the Target Company for the two financial years ended 31 December 2016 and 2017 and six months ended 30 June 2018 are as follows:

	For the year ended 31 December 2016 (unaudited) (RMB'000)	For the year ended 31 December 2017 (unaudited) (RMB'000)	For the six months ended 30 June 2018 (unaudited) (RMB'000)
Net loss for the period before taxation	760	703	352
Net loss for the period after taxation	760	703	352

The unaudited net liabilities value and total asset value of the Target Company as at 30 June 2018 were approximately RMB871,000 and approximately RMB152,853,000 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding 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.

The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the Liaoning Province. Through the Acquisition, the Group will acquire the interest of Project Development, which is located in Yingkou City, Liaoning Province. The Acquisition, subject to the Completion, provides an investment opportunity for the Group an investment opportunity to enjoy the asset appreciation while generating stable revenue, which will potentially bring a greater return for its Shareholders in a long run.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Based on the above, the Directors consider that the terms of the Equity Transfer Agreement, including the Consideration, and the agreements in respect of the Disposal are on normal commercial terms and are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board is of the view that the Acquisition (including the Disposal, which is part of the payment arrangement for the Consideration under the Acquisition) is fair and reasonable and on normal commercial terms and the entering into of the Equity Transfer Agreement and the agreements in respect of the Disposal are in the interests of the Company and the Shareholders as a whole.

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 Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

Furthermore, based on the information available to the Company as at the date of this announcement, as certain applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Disposal will 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 the Property A and Property B are still under construction, the value of the Property A and Property B cannot be ascertained therefore the asset ratio cannot be determined as at the date of this announcement. The Company will recalculate all applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) upon the construction of the Property A and Property B having been completed. Should any of the then applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) equal to or exceed 25%, the Company will issue an announcement and/or seek its shareholders approval, as case required, in accordance to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment of the Conditions set out in the Equity Transfer Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity Interest contemplated under the Equity Transfer Agreement
“Board”	the board of Directors
“Company”	Huajun International Group Limited (華君國際集團有限公司) (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
“Completion”	completion of the Equity Transfer Agreement
“Completion Date”	the date of Completion
“Conditions Fulfillment Date”	31 December 2018 or such later date as agreed between the parties in writing
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Target Equity Interest under the Equity Transfer Agreement
“Debts”	all debts, including but not limited to the bank loan, construction fee, material fee, employees’ salaries, employees’ commission, amount payable under litigations involved by the Target Company, save and except the payment not yet due under the contracts and relevant government fee, incurred prior to the Completion Date, which shall be borne by the Vendors
“Director(s)”	director(s) of the Company

“Disposal”	the transfers of the Property A and Property B to the Vendors by the Target Company after the Completion, being part of the payment arrangement for the Consideration
“Equity Transfer Agreement”	the equity transfer agreement dated 16 July 2018 entered into by the Vendors and the Purchaser
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules), and the term “Independent Third Party” shall be construed accordingly
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Property A”	one floor of the Property Development with a total floor area of approximately 1,475 square meters, subject to actual surveying and mapping upon the construction of the Property Development being completed
“Property B”	five floors of the Property Development with a total floor area of approximately 8,600 square meters, subject to actual surveying and mapping upon the construction of the Property Development being completed
“Purchaser”	Baohua Real Estates Management (China) Co., Ltd.* (保華置業管理(中國)有限公司), a company established in the PRC with limited liability

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$1.00 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
“Target Company”	Yingkou Economic Technology Development Zone Shangfang Real Estate Limited* (營口經濟技術開發區上方房地產有限公司), a company established in the PRC with limited liability, which, as advised by the Vendors, is owned as to 40% by Vendor A and 60% by Vendor B as at the date of this announcement
“Target Equity Interest”	entire equity interest in the Target Company
“Vendor A”	Feng Xingbo* (豐興波), a citizen and a businessman in the PRC, who is an Independent Third Party
“Vendor B”	Zhao Shifu* (趙士福), a citizen and a businessman in the PRC, who is an Independent Third Party
“Vendors”	collectively, the Vendor A and the Vendor B
“%”	per cent.

By order of the Board
Huajun International Group Limited
CHAN Wing Hang
Company Secretary

Hong Kong, 16 July 2018

As at the date of this announcement, the Board comprises Mr. Meng Guang Bao, Ms. Zhang Ye, Mr. Guo Song, Mr. He Shufen and Mr. Zeng Hongbo 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*