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HUAJUN INTERNATIONAL GROUP LIMITED

華君國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN YINGKOU YUZHU SCIENCE AND TECHNOLOGY DEVELOPMENT LIMITED*

THE ACQUISITION

The Board is pleased to announce that on 27 July 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest at the Consideration of RMB1.00.

Pursuant to the Equity Transfer Agreement, prior to the Completion, the liabilities of the Target Company shall be restructured so that upon the completion of such debt restructuring (a) the liabilities under the existing bank loan in the principal sum of RMB150 million and other payables in the sum of RMB20.3 million shall be borne by the Purchaser; and (b) all other liabilities not mentioned in (a) above in this paragraph shall be borne by the Vendor.

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.

IMPLICATIONS UNDER LISTING RULES

As one or more 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.

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.

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EQUITY TRANSFER AGREEMENT

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

Date : 27 July 2018

Parties : Vendor: Yingkou Jinlun Science And Technology Development Limited* (營口金綸科技發展有限公司), which is principally engaged in, among other things, chemical fiber product technology research and development; and

Purchaser: Huajun Power (China) Group Limited* (華君電力(中國)集團有限公司), the indirect wholly-owned subsidiary of the Company

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Vendor and its ultimate beneficial owner are the Independent Third Parties.

Assets to be acquired

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest, representing the entire equity interest of the Target Company at the Consideration.

As advised by the Vendor, the Target Company currently owns the Target Land, which is situate at Yingkou City, Liaoning Province, the PRC, with a total area of approximately 296,900 square meters, which has not yet developed.

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 RMB1.00, which is payable within 10 business days from the Completion Date.

Pursuant to the Equity Transfer Agreement, prior to the Completion, the liabilities of the Target Company shall be restructured (the “**Debt Restructuring**”) so that upon the completion of such debt restructuring (a) the liabilities under the existing bank loan in the principal sum of RMB150 million and other payables in the sum of approximately RMB20.3 million shall be borne by the Purchaser; and (b) all other liabilities of the Target Company not mentioned in (a) above in this paragraph shall be borne by the Vendor.

The Consideration is determined after arm’s length negotiation between the Vendor and the Purchaser with reference to the (a) total asset value of the Target Company in the sum of RMB199.37 million; and (b) the said bank loan and the other payables of the Target Company, in aggregate in the sum of approximately RMB170.3 million, to be borne by the Purchaser pursuant to the Equity Transfer Agreement. 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) if required under the Listing Rules, the Company has obtained the independent Shareholders' approval in relation to the Equity Transfer Agreement and the transactions contemplated thereunder at the special general meeting of the Company;
- (b) the Vendor is the legal and beneficial owner of the Target Equity interest, which is free from any encumbrance or third party's rights;
- (c) the Target Company is the legal and beneficial owner of the Target Land, which is free from any encumbrance or third party's rights;
- (d) the management of Target Company has not done any act which may result material adverse change on the business, assets, properties, financial condition, operation and prospect of Target Company before and at the Completion Date;
- (e) the Vendor has obtained all necessary approvals and authorisations from third parties in respect of the Acquisition and relevant matters;
- (f) the representations, warranties and undertakings given by the Vendor have remained true, accurate and not misleading in all material respects and no breach of any of such warranties in any respect has been made by the Vendor; and
- (g) the Debt Restructuring has been completed and the Purchaser has received (and being satisfied with) all documents and evidences proving that the Vendor has borne such other liabilities as required to be borne by it under the Debt Restructuring.

If any of the Conditions has not been fulfilled by the Conditions Fulfillment Date, the Equity Transfer Agreement shall lapse.

Completion

Within 20 days from the date that all Conditions having been fulfilled, (a) the registration of ownership of the Target Equity Interest changing from the Vendor to the Purchaser; and (b) the registration of ownership of the Target Land changing from the Target Company to the Purchaser, shall both be completed. Completion shall take place upon the completions of the said two registrations.

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.

INFORMATION OF THE VENDOR

As informed by the Vendor, the Vendor is a company established in the PRC with limited liability, which is principally engaged in, among other things, chemical fiber product technology research and development, and an Independent Third Party.

INFORMATION OF THE PURCHASER

As at the date of this announcement, the Purchaser, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in, among other things, wholesale and import and export of machinery and equipment.

INFORMATION OF THE TARGET COMPANY

As advised by the Vendor, the Target Company is a company established in the PRC with limited liability, which is wholly-owned by the Vendor. As further advised by the Vendor, the Target Company is principally engaged in, among other things, import and export trading of energy related products.

FINANCIAL INFORMATION OF THE TARGET COMPANY

As advised by the Vendor, the Target Company was incorporated on 21 July 2016. The unaudited financial information of the Target Company for the period from 21 July 2016 (date of establishment) to 31 December 2016, year ended 31 December 2017 and six months ended 30 June 2018, as extracted from its unaudited management accounts provided by the Vendor, (for illustration purposes only) is as follows:

	For the period from 21 July 2016 (date of establishment) to 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	1,349	4,896	5,058
Net loss for the period after taxation	1,349	4,896	5,058

Based on the management account of the Target Group provided by the Vendor, the unaudited net asset value and total asset value of the Target Company as at 30 June 2018 were approximately RMB4.07 million and approximately RMB199.37 million, 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) provision of financial services; (iv) property development and investments; and (v) 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, the PRC. Through the Acquisition, the Group will acquire the interest of the Target Land, which is situate in Yingkou City, Liaoning Province, the PRC. The Acquisition, subject to the Completion, will enrich the asset portfolio of the Group and provide an investment opportunity for the Group to enjoy the asset appreciation while generating stable revenue, which will potentially bring a greater return for its Shareholders in a long run.

IMPLICATIONS UNDER THE LISTING RULES

As one or more 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.

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, when (a) the registration of ownership of the Target Equity Interest has changed from the Vendor to the Purchaser; and (b) the registration of ownership of the Target Land has been changed from the Target Company to the Purchaser
“Conditions Fulfillment Date”	30 September 2018 or such later date as agreed between the parties
“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
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 27 July 2018 entered into by the Vendor and the Purchaser in respect of the Acquisition
“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
“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
“Purchaser”	Huajun Power (China) Group Limited* (華君電力(中國)集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“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 Yuzhu Science And Technology Development Limited* (營口玉珠科技發展有限公司), a company established in the PRC with limited liability, which, as advised by the Vendor, which is wholly-owned by the Vendor as at the date of this announcement
“Target Equity Interest”	the entire equity interest in the Target Company
“Target Land”	the land parcel situate at Yingkou City, Liaoning Province, the PRC with total area of approximately 296,900 square meters, which has not yet developed, which is owned by the Target Company, as advised by the Vendor

“Vendor” Yingkou Jinlun Science And Technology Development Limited* (營口金綸科技發展有限公司), a company established in the PRC with limited liability

“%” per cent.

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

Hong Kong, 27 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*