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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)

MAJOR TRANSACTION IN RELATION TO ACQUISITION OF PROPERTY PROJECT AND LAND IN DONGGUAN, GUANGDONG PROVINCE

THE TRANSACTIONS

The Board is pleased to announce that on 31 August 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, Shenyang Oriental and Shenzhen Guangsen for the acquisition of Dong Yin Building (東銀大廈) at the Consideration A of RMB210,000,000. Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to procure the Purchaser or its nominee to win the tender for, and obtain the land use rights of, the Target Land B at the Service Fee of RMB163,920,000 (subject to adjustment).

IMPLICATIONS UNDER LISTING RULES

As one or more of the applicable percentage ratios in relation to the Transactions as contemplated under the Sale and Purchase Agreement is more than 25% but less than 100%, the Transactions as contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements.

As (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions; and (ii) a written shareholder's approval has been obtained from China Huajun Group Limited which holds more than 50% of the voting rights at the general meeting of the Company to approve the Transactions, a written shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting is required to be convened for the shareholders' approval of the Transactions pursuant to Rule 14.44 of the Listing Rules.

In accordance with the requirements of the Listing Rules, a circular of the Company containing further details of the Transactions will be despatched to the Shareholders on or before 21 September 2018.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE TRANSACTIONS

The Board is pleased to announce that on 31 August 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, Shenyang Oriental and Shenzhen Guangsen for the acquisition of Dong Yin Building (東銀大廈) at the Consideration A of RMB210,000,000. Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to procure the Purchaser or its nominee to win the tender for, and obtain the land use rights of, the Target Land B within 2 years from the date of the Sale and Purchase Agreement at the Service Fee of RMB163,920,000 (subject to adjustment).

SALE AND PURCHASE AGREEMENT

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

Date: 31 August 2018 (after trading hours)

Parties: Vendor: Dongguan Green Lake Villa Development Construction Co., Ltd.* (東莞市綠湖山莊開發建造有限公司), which, as advised by the Vendor, is principally engaged in real estate development;

- Shenyang Oriental: Shenyang Oriental Ginza Center Real Estate Co., Ltd. (瀋陽東方銀座中心城置業有限公司), which, as advised by Shenyang Oriental, is principally engaged in ordinary real estate development and self-owned house leasing;
- Shenzhen Guangsen: Shenzhen Guangsen Investment Group Co., Ltd. (深圳市廣森投資集團有限公司), a company established in the PRC with limited liability, which, as advised by Shenzhen Guangsen, is principally engaged in, among other things, investment in industrial development; and
- Purchaser: Bao Hua Properties (Guangdong) Co., Ltd.* (保華地產(廣東)有限公司), the indirect wholly-owned subsidiary of the Company.

Shenyang Oriental and Shenzhen Guangsen, as the shareholders of the Vendor and parties to the Sale and Purchase Agreement, endorse the Vendor to enter into the transactions contemplated under the Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, Shenyang Oriental and Shenzhen Guangsen and their ultimate beneficial owners are the Independent Third Parties.

Subject matters

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase, Dong Yin Building (東銀大廈) together with all the future earnings and rights arising therefrom at the Consideration A of RMB210,000,000. Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to procure the Purchaser or its nominee to win the tender, and obtain the land use rights of, the Target Land B at the Service Fee of RMB163,920,000 (subject to adjustment).

(i) *Dong Yin Building (東銀大廈)*

As advised by the Vendor, Dong Yin Building (東銀大廈) is situated at the Changping Avenue, Changping Prefecture, Dongguan City, Guangdong Province, the PRC with total land use area of approximately 9,140 square meters (the “**Target Land A**”), which the Vendor has been granted with its land use right for commercial and financial (商業金融) use for a term up to 6 December 2050. As further advised by the Vendor, Dong Yin Building (東銀大廈) is currently under construction and its pile foundation has been completed and the development is pending for excavation (挖土).

Pursuant to the preliminary valuation carried by a qualified valuer in the PRC on the Target Land A based on the market comparison method and residual method, the market value of the Target Land A is approximately RMB238,627,000 as at 20 June 2018. The final valuation of the Target Land A shall be subject to the valuation report to be prepared by the qualified valuer in Hong Kong, which will be included in the circular of the Company.

(ii) *Target Land B*

As advised by the Vendor, the Target Land B is situated at Si Ma Village, Changping Prefecture, Dongguan City, Guangdong Province, the PRC with total land use area of 204.9 mu (畝) (equivalent to approximately 136,000 square meters), ownership of which is not held by the Vendor.

The Target Land B is currently owned by the Original Owners. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Original Owners are the Independent Third Parties.

As further advised by the Vendor, the Target Land B will be sold by tender, which is expected to take place within one year from the date of the Sale and Purchase Agreement, as the Vendor has already spent substantial amount of costs and expenses on the pre-development work, including the relocation fees (the “**Relocation Fee**”) in the sum of approximately RMB81.2 million for relocating the Original Owners originally residing on the Target Land B to other area, the local government prefers to sell the Target Land B to the Vendor or its nominee. Pursuant to the Sale and Purchase Agreement, the Vendor shall procure that the Purchaser or its nominee will win the tender for the development right of the Target Land B at the base price of the tender and obtain the land use rights within 2 years from the date of the Sale and Purchase Agreement, failing of which the Vendor, Shenyang Oriental and Shenzhen Guangsen shall refund the Purchaser the full amount of the Service Fee paid by the Purchaser with

interest at the rate of 8% per annum. Therefore, if any other party compete in the tender against the Purchaser or its nominee, which results the sale price of the Target Land B exceed the base price of the tender, the Vendor, Shenyang Oriental and Shenzhen Guangsen shall refund the Purchaser the full amount of the Service Fee paid by the Purchaser with the said interest.

As at the date of this announcement, the Purchaser has not entered into any formal agreement or submit any legally binding offer to tender for the Target Land B. If any of such formal agreement or legally binding offer has been executed or submitted, the Company will duly comply with the disclosure requirements under the Listing Rules.

As informed by the Vendor, the Target Land B is currently vacant with agricultural and expects to be converted into commercial and/or residential use before the tender takes place.

Consideration

Consideration A

The Consideration A of RMB210,000,000 shall be payable by the Purchaser to the Vendor in the following manners:

- (a) RMB2,000,000, being part of the Consideration A, within 5 business days from the signing date of the Sale and Purchase Agreement;
- (b) RMB208,000,000, being the balance of the Consideration A, within 5 days from the date that construction permit (施工許可證) having been obtained for Dong Yin Building (東銀大廈).

As informed by the Vendor, in respect of payment manner (b) above, it has already obtained the construction permit (施工許可證), as such, it is in the common understanding among the parties that the relevant part of the Consideration A will be payable within 5 business days from the signing date of the Sale and Purchase Agreement also, same as the payment manner (a) above. Upon the Purchaser's payment of the Consideration A, the Dong Yin Building (東銀大廈) will be owned by the Purchaser.

The Consideration A was determined by the Vendor and the Purchaser on arm's length negotiations with reference to the preliminary value of the Target Land A, which Dong Yin Building (東銀大廈) is situate at, with discount. As such, the Board considers that the Consideration A is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Service Fee

The Service Fee of RMB163,920,000 (subject to adjustment, as details below) shall be payable by the Purchaser to the Vendor in the following manners:

- (a) RMB130,000,000, being part of the Service Fee, within 5 days from the signing date of the Sale and Purchase Agreement;
- (b) RMB33,920,000, being the balance of the Service Fee, (subject to adjustment) within 10 business days from the date that the Purchaser or its nominee has won the tender for the development right of the Target Land B.

The Service Fee will be adjusted in accordance with the actual land area of the Target Land B which the Purchaser or its nominee eventually wins at the tender at the rate of RMB800,000 per mu (畝). If the actual land area that the Purchaser or its nominee wins from the tender is less than 204.9 mu (畝), the Service Fee will be adjusted downward accordingly. As the actual land area of the Target Land B is about 204.9 mu (畝), no upward adjustment will be made to the Service Fee.

To the best knowledge of the Company, it is the intention among the parties of the Sale and Purchase Agreement that if the Purchaser or its nominee has won the relevant tender, the Purchaser will pay for the sale price to the local government.

The Service Fee was determined by the Vendor and the Purchaser on arm's length negotiations with reference to the costs and expenses on the pre-development work incurred by the Vendor, including but not limited to the Relocation Fee and the relevant expenses in negotiation with Original Owners. As such, the Board considers that the Service Fee is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Both Consideration A and Service Fee will be funded by the internal resources and/or external borrowing of the Group.

Conditions precedent

Completion is subject to the fulfillment of the following Conditions:

- (a) Shenyang Oriental and Shenzhen Guangsen are the legal and beneficial owners of the entire equity interest in the Vendor, which is free from any encumbrance or third party's rights; and the Vendor is the legal and beneficial owner of Dong Yin Building (東銀大廈), which is free from any encumbrance or third party's rights;
- (b) the Completion will be taken place in accordance with the PRC laws;
- (c) the management of the Vendor has not done any act which may result material adverse change on the Dong Yin Building (東銀大廈) before and at the Completion; and all warranties given by the Vendor have remained true and accurate;
- (d) the Vendor has obtained all necessary approvals and authorisations from third parties in respect of the Transactions and relevant matters;
- (e) the representations, warranties and undertakings given by the Vendor have remained true, accurate and not misleading in all material respects and none of the warranties has been breached by the Vendor.

If any of the Conditions has not been fulfilled by the date agreed among the Sale and Purchase Agreement shall lapse. The Vendor shall forthwith refund all amount already paid by the Purchaser with interest and penalty. None of the parties shall claim against the other party, upon the said amount has been fully refunded and paid to the Purchaser, save as the antecedent breach made by the parties of the Sale and Purchase Agreement.

Completion

The Vendor shall deliver Dong Yin Building (東銀大廈) to the Purchaser within 20 days from the signing date of the Sale and Purchase Agreement.

INFORMATION OF THE VENDOR, SHENYANG ORIENTAL AND SHENZHEN GUANGSEN

As informed by the Vendor, the Vendor is a company established in the PRC with limited liability, which is principally engaged in real estate development and is owned as to 55% and 45% by Shenyang Oriental and Shenzhen Guangsen, respectively.

As informed by Shenyang Oriental, Shenyang Oriental is a company established in the PRC with limited liability, which is principally engaged in ordinary real estate development and self-owned house leasing.

As informed by Shenzhen Guangsen, Shenzhen Guangsen is a company established in the PRC with limited liability, which is principally engaged in, among other things, investment in industrial development.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor, Shenyang Oriental and Shenzhen Guangsen and their ultimate beneficial owners are the Independent Third Parties.

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, real estate development.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

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 Transactions is the demonstration of the Group's strategy to geographically expand its property development and investments business in the Southern part of the PRC. The Group expects that with the recent PRC national policies promulgated by the government of the PRC favourable for Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區), the property market in the region will be bloomed and the overall economy there will also be rising.

The Board believes that this geographical expansion scope will enable the Group to capture the rapid economic growth in Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區) and will allow the Company to diversify its property investment portfolio and potentially generate positive returns to the Group.

On the basis of the above reasons and benefits and the determination factors for the Consideration A and the Service Fee, the Directors believe that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in relation to the Transactions as contemplated under the Sale and Purchase Agreement is more than 25% but less than 100%, the Transactions as contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements.

As (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Transactions; and (ii) a written shareholder's approval has been obtained from China Huajun Group Limited holds more than 50% of the voting rights at the general meeting of the Company to approve the Transactions, a written shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting is required to be convened for the shareholders' approval of the Transactions pursuant to Rule 14.44 of the Listing Rules.

In accordance with the requirements of the Listing Rules, a circular of the Company containing further details of the Transactions will be despatched to the Shareholders on or before 21 September 2018.

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:

“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”	the completion of the acquisition of Dong Yin Building (東銀大廈) pursuant to the terms and conditions of the Sale and Purchase Agreement

“Condition(s)”	the conditions precedent of the Completion, details of which are set out in the sub-heading of the “Conditions precedent” of this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration A”	the consideration of RMB210,000,000 for Dong Yin Building (東銀大廈)
“Director(s)”	director(s) of the Company
“Dong Yin Building (東銀大廈)”	a property project held by the Vendor, with total land use area of approximately 9,140 square meters in Changping Prefecture, Dongguan City, Guangdong Province, the PRC, and the buildings and ancillary facilities built or to be built thereon
“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
“Original Owners”	the individuals villagers who own and originally resided at the Target Land B
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan

“Purchaser”	Bao Hua Properties (Guangdong) Co., Ltd.* (保華地產(廣東)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 31 August 2018 entered into by the Vendor, the Purchaser, Shenyang Oriental and Shenzhen Guangsen in respect of the Transactions
“Service Fee”	the service fee of RMB163,920,000 (subject to adjustment) for Vendor’s service to ensure the Purchaser or its nominee to win the tender for, and obtain the land use rights of, the Target Land B
“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)
“Shenyang Oriental”	Shenyang Oriental Ginza Center Real Estate Co., Ltd. (瀋陽東方銀座中心城置業有限公司), a company established in the PRC with limited liability and the holder of 55% equity interest in the Vendor
“Shenzhen Guangsen”	Shenzhen Guangsen Investment Group Co., Ltd. (深圳市廣森投資集團有限公司), a company established in the PRC with limited liability and the holder of 45% equity interest in the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the acquisition of Dong Yin Building (東銀大廈) from the Vendor and provision of service by the Vendor in respect of the Target Land B contemplated under the Sale and Purchase Agreement
“Vendor”	Dongguan Green Lake Villa Development Construction Co., Ltd.* (東莞市綠湖山莊開發建造有限公司), a company established in the PRC with limited liability

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
Huajun International Group Limited
TAM Ka Lung
Company Secretary

Hong Kong, 31 August 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*