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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)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF
THE ENTIRE EQUITY INTERESTS IN AND DEBT OWED BY
BAOHUA PROPERTIES (HUAI'AN) LIMITED*
AND
(II) ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

THE ACQUISITION

The Board is pleased to announce that on 21 September 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the 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 and the Debt at the Consideration of RMB180.0 million (equivalent to approximately HK\$205.2 million), subject to adjustment, comprising of RMB20.00 million (equivalent to approximately HK\$22.80 million) being the consideration for the Target Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the Debt.

The Consideration shall be satisfied by the issue of the Convertible Bonds to the Vendor or its nominee.

The Convertible Bonds carry the right to convert into the Conversion Shares at the Conversion Price of HK\$38.00 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 5,400,000 new Shares, being the Conversion Shares, will fall to be allotted and issued to the Vendor or its nominee, representing approximately 8.90% of the issued share capital of the Company as at the date of this announcement and approximately 8.17% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares (which may fall to be allotted and issued upon the exercise of the Conversion Rights) will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

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.

As at the date of this announcement, the Vendor is ultimately wholly owned by Mr. Meng, therefore, the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. As the relevant percentage ratios for the Acquisition exceeds 5%, the Acquisition constitutes non-exempt connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Vendor, Mr. Meng and their respective associates are required to abstain from voting on the resolutions in respect of the Acquisition and issue of the Convertible Bonds at the SGM. Mr. Meng has also abstained from voting on the resolutions passed by the Board to approve the Agreement and the transactions contemplated thereunder. To the best of the Directors' information, belief and knowledge, save for the Vendor, Mr. Meng and their respective associates, no other Shareholders have any material interest in the Acquisition and the grant of the Specific Mandate.

GENERAL

An Independent Board Committee will be established to make recommendation to the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds. Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder.

The SGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bonds under the Specific Mandate.

A circular containing, amongst other things, (i) further information of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Agreement and issue of the Convertible Bonds; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Agreement and the issue of the Convertible Bonds; (iv) the valuation report of the Property; and (v) details of the Specific Mandate together with notice of the SGM, is expected to be despatched to the Shareholders on or before 31 October 2018, as the Company requires more time to prepare the relevant information to be included in the circular.

Completion is subject to the fulfillment and/or waiver (as the case may be) of the Conditions set out in the 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 18 September 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the 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 and the Debt at the Consideration, subject to adjustment.

AGREEMENT

Principal terms of the Agreement are set out as follows:

Date: 21 September 2018

Parties: Vendor: Nanjing Huajun Real Estate Co., Ltd.* (南京華君置業有限公司), a company established in the PRC with limited liability which is principally engaged in, among other things, property development and property management.

As at the date of this announcement, the Vendor is ultimately wholly-owned by Mr. Meng, therefore, the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM.

Purchaser: Baohua Properties (China) Limited* (保華地產(中國)有限公司), the indirect wholly-owned subsidiary of the Company

Asset to be acquired

Target Equity Interest

Pursuant to the 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, and the Debt at the Consideration.

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.

As advised by the Vendor, the Target Company currently owns the Target Land, which is situate at No. 8 Guangzhou Road, Qinghe District, Huai'an City, Jiangsu Province, the PRC, with a total site area of approximately 13,485.5 square meters. As advised by the Vendor, an apartment and commercial complex (the "**Property Development**") is currently being constructed on the Target Land, which is scheduled to be completed in the first quarter of 2019.

As further advised by the Vendor, the Target Company has obtained all necessary licenses/permits for the development of the Target Land.

Subject to the Completion and the completion of the construction of the Property Development as scheduled, the sale of the units of Property Development is estimated to be taken place in 2019. After completion of the Acquisition, the Company does not have any plan to make any further financial commitment in relation to the Property Development, except with the engagement of potential contractors for its construction and/or interior decoration. Should there be any such financial commitment arise, the Company will finance it with internal resources of, or external borrowing made by, the Target Company, if necessary and appropriate.

Debt

As advised by the Vendor, the outstanding debts of the Target Company as at the date of the Agreement is approximately RMB337 million. Pursuant to the Agreement, the Vendor shall carry out the Debt Restructuring prior to the Completion, being one of the Conditions, so that upon the completion of the Debt Restructuring:

- (a) the Vendor will own the outstanding debts of the Target Company in the sum of RMB337 million;

- (b) the Target Company will not owe any liabilities to third party, save as the item (a) above;
- (c) the Vendor will assign the Debt, which is the outstanding debts of RMB160.0 million owed by the Target Company, to the Purchaser; and
- (d) the Vendor shall waive the payment obligations of the Target Company in respect of the remaining outstanding debts in the sum of approximately RMB177 million owed by the Target Company to the Vendor.

Consideration

The Consideration, for the Target Equity Interest and the Debt shall be in aggregate of RMB180.0 million (equivalent to approximately HK\$205.2 million), subject to adjustment, comprising of RMB20.00 million (equivalent to approximately HK\$22.80 million) being the consideration for the Target Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the Debt. Pursuant to the Agreement, the Vendor and the Purchaser has agreed the exchange rate to be at the rate of RMB1 = HK\$1.14.

The Consideration, subject to adjustment, shall be settled by the Purchaser by the issue of the Convertible Bonds with a principal amount of HK\$205.2 million at the Conversion Price of HK\$38.00 (subject to adjustment) by the Company to the Vendor or its nominee within 20 Business Days after the Completion Date.

The initial Consideration of RMB180.0 million will be subject to downward adjustment based on the valued amount of the Property Development (the “**Target Value**”) pursuant to the valuation report (the “**Valuation Report**”) to be prepared by an independent valuer engaged by the Purchaser before Completion. If the Target Value is less than RMB180.0 million, the Debt 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 RMB180.0 million, there will not be any adjustment to the Consideration.

The Consideration will be fully settled by the issue of Convertible Bonds by the Company.

Conversion Price

The Conversion Price of HK\$38.00 per Conversion Share, representing:

- (a) a premium of approximately 72.73% over the closing price of HK\$22.00 per Share as quoted on the Stock Exchange on Last Trading Date; and
- (b) a premium of approximately 76.74% over the average closing price of HK\$21.50 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date.

The Convertible Bonds carry the right to convert into the Conversion Shares at the Conversion Price of HK\$38.00 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 5,400,000 new Shares, being the Conversion Shares, will fall to be allotted and issued to the Vendor or its nominee, representing approximately 8.90% of the issued share capital of the Company as at the date of this announcement and approximately 8.17% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares (which may fall to be allotted and issued upon the exercise of the Conversion Rights) will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Basis of Consideration and Conversion Price

The Consideration (including the Equity Consideration and Debt Consideration) and the Conversion Price were determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to (i) the preliminary valuation of the Property Development of approximately RMB214.0 million as at 30 April 2018 prepared by the independent valuer; (ii) the Debt in the sum of RMB160.0 million to be assigned pursuant to the Agreement after the completion of Debt Restructuring; and (iii) the paid-up capital of the Target Company in the sum of RMB20.0 million; and (iv) the benchmark prices as disclosed under the paragraph headed "Conversion Price" above in this announcement. Accordingly, the Board (excluding the independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the Independent Financial Adviser) considers that the Consideration, the Conversion Price and the terms and conditions of the Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

CONVERTIBLE BONDS

Principal terms of the Convertible Bonds

Principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Purchaser and the Vendor and are summarised as follows:

Issuer:	the Company
Principal Amount:	HK\$205.2 million
Conversion Price:	HK\$38.00 per new Share, subject to adjustment
Maturity Date:	the date falling five years from the date of issue of the Convertible Bonds
Interest:	1.5% per annum payable each anniversary year of issue in arrear
Redemption:	<i>At Maturity</i>

all outstanding principal amount of the Convertible Bonds which have not been redeemed or converted in accordance with the conditions set out in the Instrument by the Maturity Date will be automatically redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds, unless the Bondholders request for full conversion of their Convertible Bonds

On demand by the Company

the Company has the right, at its option, to redeem the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder, as determined by the Company, by notice

Conversion Rights: each Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into such number of Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion

Conversion Restriction: Conversion shall be subject to the following further conditions:

- (a) any exercise of Conversion Rights shall not trigger any mandatory offer under Rule 26 of the Takeovers Code, and in any event, any exercise of Conversion Rights shall not render Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules;
- (b) any exercise of Conversion Rights shall be subject to all applicable legal requirements, rules and regulations, including but not limited to the Listing Rules and the Takeovers Code; and
- (c) any conversion shall be in denominations and integral amounts of HK\$1,000,000.

Transferability: the Convertible Bonds (nor any part thereof) can be transferred without the prior written consent of the Company, save and except to a connected person of the Company

any transfer of any Convertible Bonds shall be in respect of the whole or any part (in an amount not less than HK\$1,000,000 or such other amount to be agreed by the Company) of the outstanding principal amount of that Convertible Bonds

Ranking: the obligations of the Company arising under the Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. Conversion Shares, when issued, shall rank pari passu in all respects with all other existing Shares in issue at the date of conversion

Adjustment Events: the Conversion Price shall be subject to adjustment upon occurrence of the following:

- (a) consolidation and subdivision; and
- (b) capitalisation of profits or reserves.

Application of Listing

No listing of the Convertible Bonds will be sought from the Stock Exchange or any other stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

Conditions Precedent

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

- (a) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Conversion Shares;
- (b) the Company has obtained the Independent Shareholders' approval in relation to the Agreement and the transactions contemplated thereunder including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares at the SGM;
- (c) the Vendor is the legal and beneficial owner of the Target Equity Interest and the Debt, which are free from any encumbrance or third party's rights;

- (d) the Target Company is the legal and beneficial owner of the Target Land and assets held by the Target Company, which are free from any encumbrance or third party's rights;
- (e) the Debt Restructuring has been completed and the Purchaser has received (and being satisfied with) all documents and evidence proving that the Debt Restructuring has been completed;
- (f) the completion of the Target Equity Interest and the Debt has been complied with the relevant PRC laws simultaneously to the satisfaction of the Purchaser;
- (g) the Purchaser has received and being satisfied with the Valuation Report;
- (h) 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; and the representations, warranties and undertakings given by the Vendor are true and accurate on the Completion Date;
- (i) the Vendor has obtained all necessary approvals and authorisations from third parties in respect of the Acquisition and relevant matters; and
- (j) 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.

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

Completion

Within 5 days from the date of the Agreement, the Vendor shall, among other things, change (a) the registration of ownership of the Target Equity Interest from the Vendor to the Purchaser; and (b) the legal representative, director, supervisor, business license, organization code certificate, account opening permit, credit institution code certificate, land registration information as directed by the Purchaser.

The Completion shall take place upon within 5 Business Days after all Conditions having been fulfilled or such other date agreed by the parties in writing.

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 PURCHASER

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

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 the real estate development and sale.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the unaudited financial information of the Target Company for (i) each of the two financial years ended 31 December 2016 and 31 December 2017 and (ii) the eight months ended 31 August 2018, as extracted from its unaudited management accounts of the Target Company provided by the Vendor (for illustration purposes only):

	For the year ended 31 December 2016 (RMB'000) (unaudited)	For the year ended 31 December 2017 (RMB'000) (unaudited)	For the eight months ended 31 August 2018 (RMB'000) (unaudited)
Net loss for the period before taxation	187	665	1,794
Net loss for the period after taxation	187	665	1,794

Based on the unaudited management account of the Target Company provided by the Vendor, the unaudited net asset value and total asset value of the Target Company as at 31 August 2018 were approximately RMB13.6 million and approximately RMB350.6 million, respectively.

As advised by the Vendor, the original acquisition cost of the Target Equity Interest to the Vendor was approximately RMB160 million.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 60,669,200 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares; and (iii) immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company having been converted into new shares of the Company:

	(i) As at the date of this announcement		(ii) Immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding		(iii) Immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company having been converted into new shares of the Company	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Substantial Shareholder						
China Huajun Group Limited	44,202,780	72.82%	44,202,780	66.87%	44,202,780	57.03%
Mr Meng (Note 2)	425,719	0.70%	425,719	0.64%	425,719	0.55%
Vendor or its nominee	–	–	5,400,000	8.17%	5,400,000	6.97%
Sub-total	44,628,499	73.52%	50,028,499	75.68%	50,028,499	64.55%
Holder of existing convertible bonds (Note 1)	–	–	–	–	11,411,762	14.72%
Other public shareholders	16,070,701	26.48%	16,070,701	24.32%	16,070,701	20.73%
	60,699,200	100.00%	66,099,200	100.00%	77,510,962	100.00%

Note

- As at the date of this announcement, the conversion rights attaching to the existing convertible bonds issued by the Company had yet been exercised and the existing convertible bonds have not yet been converted in new Shares.
- Apart from 425,719 Shares held by Mr. Meng directly, Mr. Meng also personally holding 387,351 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 7 February 2017 and 5 December 2017.

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 PRC. Through the Acquisition, the Group will acquire the interest of the Target Land. 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. The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC.

As the construction of the Property Development is almost completed, subject to the Completion, the Company expects to be able to sell the units of the Property Development soon without too much financial commitment. Furthermore, according to the preliminary valuation prepared by the independent valuer, the value of the Property Development as at 30 April 2018 was RMB214.0 million, which is significantly higher than the Consideration of RMB180.0 million. Overall 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.

As the Consideration is fully satisfied through the issue of the Convertible Bonds at an interest of 1.5% per annum only, the Company will not face any immediate huge amount of cashflow burden, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate.

The Directors, excluding (i) Mr. Meng, who had abstained from voting on the relevant resolutions at the board meeting and will be abstained from voting on the relevant resolutions at the SGM; and (ii) the independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the Independent Financial Adviser, consider that the terms of the Agreement including the term for issue of the Convertible Bonds, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT

During the past 12 months immediately preceding the date of this announcement, the Company has conducted the following equity fund raising activities:

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceed	Actual use of proceeds
20 October 2017	Issue of convertible bonds under general mandate	approximately HK\$349 million	general working capital	Approximately HK\$301.3 million, HK\$13.2 million and HK\$34.5 million of the net proceeds had been used for (i) repayment of bank loan; (ii) payment of consideration for acquisition of a licensed corporation; and (iii) operating expenses of the Group, respectively
7 December 2017	Issue of convertible bonds under general mandate	approximately HK\$29.7 million	general working capital for payment of the Company's monthly administrative expenses after completion of issue the respective convertible bonds	All the net proceeds had been used for payment of the Company's administrative expenses from January to April 2018

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceed	Actual use of proceeds
13 December 2017	Issue of convertible bonds under general mandate	approximately HK\$217,700,000	settlement of progress payment for the Group's property development project in respect of the Bao Hua Financial Centre* (保華金融中心), a property wholly-owned by the Group and situated in Dalian City, the PRC	Approximately HK\$43.0 million, HK\$10.0 million and HK\$164.7 million of the net proceeds had been used for (i) repayment of borrowings of the Group; (ii) working capital of a licensed corporation of the Group; and (iii) other operating expenses of the Group, of which approximately HK\$73.8 million had been used for the manufacturing and sales of photovoltaic products business of the Group and approximately HK\$90.9 million had been used for the property development and investments business of the Group, respectively

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.

As at the date of this announcement, the Vendor is ultimately wholly-owned by Mr. Meng, therefore, the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. As the relevant percentage ratios for the Acquisition exceeds 5%, the Acquisition constitutes non-exempt connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Vendor, Mr. Meng and their respective associates are required to abstain from voting on the resolutions in respect of the Acquisition and issue of the Convertible Bonds at the SGM. Mr. Meng had also abstained from voting on the resolutions passed by the Board to approve the Agreement and the transactions contemplated thereunder. To the best of the Directors' information, belief and knowledge, save for the Vendor, Mr. Meng and their respective associates, no other Shareholders have any material interest in the Acquisition and the grant of the Specific Mandate.

GENERAL

An Independent Board Committee will be established to make recommendation to the Independent Shareholders regarding the Agreement and the transactions contemplated thereunder including the issue of the Convertible Bonds. Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder.

The SGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bonds under the Specific Mandate.

A circular containing, amongst other things, (i) further information of the Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Agreement and issue of the Convertible Bonds; (iii) the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, the Agreement and the issue of the Convertible Bonds; (iv) the valuation report of the Property; and (v) details of the Specific Mandate together with notice of the SGM, is expected to be despatched to the Shareholders on or before 31 October 2018, as the Company requires more time to prepare the relevant information to be included in the circular.

Completion is subject to the fulfillment of the Conditions set out in the 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 Agreement
“Agreement”	the Agreement dated 21 September 2018 entered into by the Vendor and the Purchaser in respect of the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bonds
“Business Day”	a day (excluding Saturday or Sunday) and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong and PRC are generally open for business
“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 Acquisition pursuant to the terms and conditions of the Agreement
“Completion Date”	the date on which Completion take place in accordance with the Agreement, which is within five Business Days after the date of fulfilment (or waiver, as the case may be) of the last of the Conditions (or such other date as the Purchaser and the Vendor shall agree in writing)
“Condition(s)”	the conditions precedent of the Agreement as set out in the section headed “Conditions Precedent” in this announcement

“Conditions Fulfillment Date”	31 December 2018 or such later date as agreed between the parties
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	collectively the Equity Consideration and the Debt Consideration
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds and ending on the date which falls on the Business Day immediately before Maturity Date, both dates inclusive
“Conversion Price”	the conversion price of HK\$38.00 per Conversion Share
“Conversion Rights”	the conversion rights attaching to the Convertible Bonds to convert the principal amount or a part there of into Conversion Shares
“Conversion Shares”	the 5,400,000 new Shares which may fall to be allotted and issued to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor, for the purpose of fully settling the Consideration
“Convertible Bonds”	convertible bonds in the aggregate principal amount of HK\$205.2 million to be issued by the Company, pursuant to the Agreement, for the purpose of settling the Consideration
“Debt”	an aggregate amount of not less than RMB160.0 million (equivalent to approximately HK\$182.4 million) owed by the Target Company to the Vendor upon the completion of the Debt Restructuring
“Debt Consideration”	RMB160.0 million (equivalent to approximately HK\$182.4 million), the consideration for the Debt under the Agreement

“Debt Restructuring”	the restructure of the liabilities of the Target Company conducted pursuant to the Agreement as described in the paragraph headed “Asset to be acquired — Debt” in this announcement
“Director(s)”	director(s) of the Company
“Equity Consideration”	RMB20 million (equivalent to approximately HK\$22.80 million), the consideration for the Target Equity Interest under the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreement and the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate
“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
“Last Trading Date”	20 September 2018, being the last trading day immediately before the entering into the Agreement
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Maturity Date”	the date falling on the expiry of a 5 calendar years’ period which shall commencing from the date of issue of the Convertible Bonds
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder (as defined under the Listing Rules) of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Baohua Properties (China) Limited* (保華地產(中國)有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
“SFC”	the Securities and Futures Commission
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“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)
“Specific Mandate”	the specific mandate for the allotment and issuance of the Conversion Shares to be granted to the Directors by the Independent Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the SFC from time to time

“Target Company”	Baohua Properties (Huai’an) Limited* (保華地產(淮安)有限公司), a company established in the PRC with limited liability, which, as advised by the Vendor, 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 No. 8 Guangzhou Road, Qinghe District, Huai’an City, Jiangsu Province, the PRC, with a total area of approximately 13,485.5 square meters
“Vendor”	Nanjing Huajun Real Estate Co., Ltd.* (南京華君置業有限公司), a company established in the PRC with limited liability
“%”	per cent.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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

Hong Kong, 21 September 2018

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.14. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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*