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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 OF SETTING UP OF HIGH-END PRINTING AND PACKAGING PRODUCTION BASE IN LIUHE ECONOMIC DEVELOPMENT ZONE, NANJING CITY, JIANGSU PROVINCE, THE PRC

(I) THE INVESTMENT AGREEMENT

The Board is pleased to announce that on 15 May, 2019 (after trading hours), New Island, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with Liuhe Development Committee, in respect of (i) the potential acquisition of the Target Assets; (ii) the potential bidding of the Target Land; and (iii) the setting up of high-end printing and packaging production base in the Economic Zone by the Project Company.

(II) THE ASSETS TRANSFER AGREEMENT

The Board is pleased to further announce that on 15 May, 2019 (after trading hours), the Project Company, an indirect wholly-owned subsidiary of the Company, entered into the Assets Transfer Agreement with the Vendors, pursuant to which the Vendors have conditionally agreed to sell, and the Project Company has conditionally agreed to purchase, the Target Assets at the Assets Consideration of RMB87,000,000 (equivalent to approximately HK\$100,050,000).

IMPLICATIONS UNDER LISTING RULES

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Assets Acquisition exceed 5% but fall below 25%, the entering of the Assets Transfer Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements.

The entering of the Investment Agreement alone is not a notifiable transaction (as defined in the Listing Rules) and the Listing-for-Sale for the Target Land has not yet commenced. However, for prudent purpose, the Company has aggregated the figures of the Investment Agreement and the Assets Transfer Agreement for calculation of the applicable percentage ratio. As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the entering of the said agreements exceeds 5% but all relevant percentage ratios in respect of the said agreements are less than 25%, the Investment Agreement and the Assets Transfer Agreement together constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the entering of the Investment Agreement and the Assets Transfer Agreement are subject to the notification and announcement requirements under the Listing Rules.

Completion is subject to the fulfillment of the conditions set out in the Assets Transfer Agreement, and therefore the Assets Transfer Agreement may or may not proceed. There is no guarantee and/or assurance that New Island and/or the Project Company will eventually win the bid for the Target Land under the Listing-for-Sale and therefore the Investment Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

I. BACKGROUND

The land use rights to the Target Land was previously held by Nanjing Yunhai who will return the land use rights to the Target Land to the government authority. New Island, an indirect wholly-owned subsidiary of the Company, is interested to set up a high-end printing and packaging production base in the Economic Zone where the Target Land is located through the Project Company.

In order to accomplish the setting up of the production base in the Economic Zone, New Island and/or the Project Company has to:

- (i) acquire the Target Assets from the Vendor; and
- (ii) successfully bid for the land use rights to the Target Land through the Listing-for-Sale organized and held by the relevant authority.

Accordingly, the Group has entered into the Investment Agreement and the Assets Transfer Agreement on 15 May, 2019.

II. INVESTMENT AGREEMENT

On 15 May, 2019 (after trading hours), New Island, an indirect wholly-owned subsidiary of the Company, entered into the Investment Agreement with Liuhe Development Committee in respect of (i) the potential acquisition of the Target Assets; (ii) the bidding of the Target Land; and (iii) the setting up of high-end printing and packaging production base in the Economic Zone by the Project Company.

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

Date: 15 May, 2019

Parties:

- (1) New Island, a company established in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company, which is principally engaged in, among other things, printing and packaging.
- (2) Liuhe Development Committee, a governmental body in the PRC responsible for, among other things, administrating the Economic Zone.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Liuhe Development Committee is an Independent Third Party.

Pursuant to the Investment Agreement, New Island has agreed to:

- (i) increase the registered capital of the Project Company from US\$20,000,000 to US\$40,000,000 within 6 months from the date of signing of the Investment Agreement; and
- (ii) relocate the registered office of the Project Company to the place where Liuhe Development Committee is located.

Information of the Target Land:

The Target Land, with a total site area of approximately 107 mu, was previously occupied by Nanjing Yunhai. As advised by Liuhe Development Committee, the construction area of the factory, which is located within the Target Land is about 42,146.12 square meters, and the construction area of auxiliary buildings is about 2,409.98 square meters. The specific area and land boundary of the Target Land are subject to the measurement made by the relevant government authority and the issue of the floor plan mapping.

As advised by Liuhe Development Committee, the Target Land is for industrial use. The term of grant and the use of the Target Land will be subject to the terms and conditions of Sale and Purchase Agreement for National Construction Land Use Right* (國有建設用地使用權出讓合同) to be executed by the successful bidder upon successful bidding for the land use rights to the Target Land through the Listing-for-Sale.

There is no guarantee and/or assurance that New Island and/or the Project Company will eventually win the bid under the Listing-for-Sale.

Land Consideration

The Land Consideration will be the highest bidding price for the Target Land under the Listing-for-Sale.

Assuming the Land Consideration is equal to the Estimated Bid and the Project Company has successfully won the bid for the Target Land, the Land Acquisition will constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. If the Land Acquisition materialize, the Company will make the relevant announcement in compliance with the Listing Rules as soon as possible.

The Estimated Bid was the estimated highest bid might be put by the Project Company for the Listing-for-Sale for the Target Land. The Project Company set the Estimated Bid after taking into account of (i) the current property market conditions of the Economic Zone and (ii) the development potential of the Target Land.

Within 3 months from the date of signing of the Investment Agreement, Liuhe Development Committee shall complete the process of the Listing-for-Sale for the Target Land. Should New Island win the bid under the Listing-for-Sale, New Island shall pay the amount of consideration, as determined by the National Lands Department* (國土部門), as the final transaction price in accordance with the procedure of the Listing-for-Sale.

In order to support the development of New Island's project in the Economic Zone, pursuant to the Investment Agreement, Liuhe Development Committee shall provide the following support policies:

- (i) Within 30 Business Days immediate after full payment of Assets Consideration to the Vendor, Liuhe Development Committee shall pay a lump sum of RMB5,000,000 to New Island as supporting fund.
- (ii) Within 3 Business Days after New Island has completed the aforesaid increase of the registered capital of the Project Company from the sum of US\$20,000,000 to US\$40,000,000, Liuhe Development Committee shall pay a further lump sum of RMB5,000,000 to New Island as supporting fund.
- (iii) During the 10 years from the Project Company has put into operation, Liuhe Development Committee shall provide New Island support which is based on 50% of the amount of tax paid by the Project Company as evidenced by the tax payment receipts. Such financial support shall be paid by Liuhe Development Committee to New Island in one lump sum within 10 Business Days from the written application from New Island to Liuhe Development Committee.
- (iv) Liuhe Development Committee will refund 50% of tax paid by the executives and core technicians (of a total of not more than 20 personnel as listed by New Island) of New Island to the respective executives and core technicians for a period of 5 years. Liuhe Development Committee shall refund the tax in one lump sum within 3 Business Days from the written application from New Island to Liuhe Development Committee.

- (v) Liuhe Development Committee shall pay New Island a sum equivalent to 10% of the actual expense of equipment (including the relocation costs) and development of the Target Land and Target Assets. Such payment shall be redeemed in accordance with the actual investment progress. This support fund shall be paid by Liuhe Development Committee to New Island in one lump sum payment within 10 Business Days after Liuhe Development Committee has completed the verification process which must be completed within 2 Business Days from the written application from New Island to Liuhe Development Committee.
- (vi) Liuhe Development Committee shall actively assist New Island to apply for the relevant policies on science and technology innovation at the provincial, municipal and district levels.

If the accumulated tax payment (estimate based on the current tax rate) of the Project Company does not reach RMB200,000,000 (the “**Target Tax Amount**”) after 10 years into operation, Liuhe Development Committee has the discretion to reduce the support policies in proportion to the corresponding Target Tax Amount (the “**Proportion**”). New Island shall refund any supporting funds in correspondence to the Proportion to Liuhe Development Committee with no interest.

The above support policies was determined by Liuhe Development Committee. The Board considers that such support policies are in the interests of the Group and the Shareholders as a whole.

Should New Island win the bid under the Listing-for-Sale and Liuhe Development Committee fail to ensure New Island to obtain the land use right and relevant ownership certificate in accordance with the terms of the Investment Agreement, Liuhe Development Committee shall pay the Assets Consideration and all relevant costs incurred by New Island under Investment Agreement with interest (the “**Amount**”) to New Island.

III. ASSETS TRANSFER AGREEMENT

In order to facilitate the Assets Acquisition, on 15 May, 2019 (after trading hours), the Project Company, an indirect wholly-owned subsidiary of the Company, entered into the Assets Transfer Agreement with the Vendors and Liuhe Development Committee in respect of the sale and purchase of the Target Assets.

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

Date: 15 May, 2019

Parties:

Purchaser: (1) The Project Company, a company established in the PRC with limited liability, and an indirect owned subsidiary of the Company, whose principal activity is, among other things, development of packaging technology; research and development of printing technology and technology transfer; printing of packaging decoration printed matter; self-operated and agent import and export of various commodities and technologies.

Vendors: (2) Nanjing Yunhai, a company established in the PRC with limited liability. As advised by Nanjing Yunhai, the principal activity of Nanjing Yunhai is, among other things, general cargo; automobile glass equipment manufacturing and sales; automotive glass processing and sales; auto parts and auto glass film sales; self-operated and agent import and export business of various commodities and technologies.

Pang Haishu (龐海樹),
Yuan Qingting (袁青亭),
Pang Xiaoling (龐小玲) and
Pang Gaofeng (龐高峰), all are shareholders of Nanjing Yunhai and citizens in the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owner, if applicable, are Independent Third Parties.

Adjudicator: (3) Liuhe Development Committee

Pursuant to the Assets Transfer Agreement, the Vendors have conditionally agreed to sell, and the Project Company has conditionally agreed to purchase the Target Assets free from any encumbrances at the Assets Consideration.

The Target Assets comprises of workshop, factory, auxiliary rooms, power distribution room, overall facilities and etc. which are located on the Target Land.

Conditions Precedent

Completion of the Assets Transfer Agreement is subject to the fulfillment of the following conditions:

- (i) the Vendors are the legal and beneficial owner of the Target Assets and the Target Assets are free from any encumbrances and any third party rights;
- (ii) the Vendors have obtained all necessary approvals, authorizations, exemptions, permissions and certifications from all third parties and shareholders for the Assets Transfer Agreement;
- (iii) the management of the Vendors have not done any act which may result material adverse loss or effect on the Target Assets and the assets, information and certifications of the Target Assets remain true and valid;
- (iv) the representations, warranties and undertakings given by the Vendors to the Project Company remained true, accurate and not misleading in all material respects and no breach of any of such representations, warranties and undertakings in any respect has been made by the Vendors.

Either party that breaches the guarantees or undertakings of the Assets Transfer Agreement, shall indemnify the other party of all their losses incurred. If one party breaches the Assets Transfer Agreement to the extent that the subject matter cannot be achieved, the other party may terminate the Assets Transfer Agreement unilaterally and request the breaching party to bear all losses incurred.

Assets Consideration

The Assets Consideration shall be RMB87,000,000 (equivalent to approximately HK\$100,050,000). The Vendors shall bear all the taxes, if any, incurred pursuant to the Assets Transfer Agreement.

The Assets Consideration shall be payable by the Project Company to the Vendors in the following manner:

- (i) RMB10,000,000 (equivalent to approximately HK\$11,500,000) to be paid within 5 days from the date of signing of the Assets Transfer Agreement;
- (ii) RMB75,000,000 (equivalent to approximately HK\$86,250,000) to be paid within 30 days from the date of signing of the Investment Agreement, upon receipt of which the Vendors shall complete the completion process for accomplishment of the relevant registration of the title certificates within 3 days from the date of receipt of this sum; and
- (iii) RMB2,000,000 (equivalent to approximately HK\$2,300,000), being the remaining balance of the Assets Consideration to be paid within 15 days after the Project Company has obtained the title certificate.

Pursuant to the Assets Transfer Agreement, Nanjing Yunhai agreed to give up its right of entitlement of the sum of RMB26,790,000 (equivalent to approximately HK\$30,808,500) (the “**Returned Sum**”), which is equivalent to the amount of the Estimated Bid, and will be returned by Liuhe Development Committee to it for return of the land use rights to the Target Land to the government authority. Nanjing Yunhai has further agreed and authorized Liuhe Development Committee to pay the Return Sum to the Purchaser for the Purchaser’s use and enjoyment.

The Assets Consideration was determined by the Project Company and the Vendors after arm’s length negotiations with reference to estimated fair value of the Target Assets. As such, having considered the above, the Board considers that the Assets Consideration is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole. The Assets Consideration will be paid in cash and satisfied by part of proceeds from the issue of convertible bond of the Company to CHG (as disclosed in the circular issued by the Company dated 31 January 2019 and the announcement made by the Company in respect of the change in use of proceeds dated 8 May 2019).

IV. REASONS AND BENEFITS FOR ENTERING INTO THE INVESTMENT AGREEMENT AND THE ASSETS TRANSFER AGREEMENT

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.

As disclosed by the Company in its Interim Report 2018, printing is one of the core business segments of the Group. This segment is principally engaged in the distribution and sales of high quality packaging and paper products. The Board considers that the Acquisitions will strengthen its position in the printing segment in Hong Kong and the PRC, enhance the Group's printing business by expansion of the production capacities of the Group in the PRC, and support the Group's development plans and presence in the PRC. The acquisition of the Target Assets will enhance the production capacity of the printing business of the Company. The Company in future may consider alternative usage of existing factories and the Target Assets to create greater value for the Company and its Shareholders a whole. In case the Project Company does not win the bid for the Target Land, the Project Company will be able to resell the Target Assets to the successful bidder in future. With the Investment Agreement, the Company will enjoy governmental financial support benefits. Accordingly, the Company believes the Acquisitions is in line with the Company's strategy and will complement the Group's printing business.

Accordingly, the Board is of the view that the terms of the Investment Agreement and the Assets Transfer Agreement, are all on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

V. IMPLICATIONS UNDER LISTING RULES

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

The entering of the Investment Agreement alone is not a notifiable transaction (as defined in the Listing Rules) and the Listing-for-Sale for the Target Land has not yet commenced. However, for prudent purpose, the Company has aggregated the figures of the Investment Agreement and the Assets Transfer Agreement for calculation of the applicable percentage ratio. As one or more of the applicable percentage ratio(s) (as defined in the Listing Rules) in respect of the entering of the said agreements exceeds 5% but all relevant percentage ratios in respect of the said agreements are less than 25%, the Investment Agreement and the Assets Transfer Agreement together constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Accordingly, the entering of the Investment Agreement and the Assets Transfer Agreement are subject to the notification and announcement requirements under the Listing Rules.

Completion is subject to the fulfillment of the conditions set out in the Assets Transfer Agreement, and therefore the Assets Transfer Agreement may or may not proceed. There is no guarantee and/or assurance that New Island and/or the Project Company will eventually win the bid for the Target Land under the Listing-for-Sale and therefore the Investment Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

VI. DEFINITIONS

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

“Acquisitions”	collectively the Land Acquisition and the Assets Acquisition
“Assets Acquisition”	the acquisition of the Target Assets contemplated under the Assets Transfer Agreement
“Assets Consideration”	RMB87,000,000 (equivalent to approximately HK\$100,050,000), being the total consideration for the Target Assets under the Assets Transfer Agreement
“Assets Transfer Agreement”	the assets transfer agreement dated 15 May 2019 entered into by the Vendors, the Project Company and Liuhe Development Committee in respect of Assets Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“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
“CHG”	China Huajun Group Limited, a company incorporated in the British Virgin Islands and a controlling Shareholder (as defined under the Listing Rules) of the Company, which is ultimately wholly-owned by 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
“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 Assets Acquisition pursuant to the terms and conditions of Assets Acquisition Agreement
“Director(s)”	director(s) of the Company
“Economic Zone”	Liuhe Economic Development Zone* (六合經濟開發區), Nanjing City, Jiangsu Province, the PRC
“Estimated Bid”	initially estimated bidding price for the Target Land which will not be more than RMB26,790,000 (equivalent to approximately HK\$30,808,500)
“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
“Investment Agreement”	the Industrial Project Investment Agreement (工業項目投資協議書) dated 15 May 2019 entered into by New Island and Liuhe Development Committee in respect of (i) the potential acquisition of Target Assets by New Island; (ii) the bidding of the Target Land; and (iii) the setting up of high-end printing and packaging production base in the Economic Zone by the Project Company
“Land Acquisition”	the acquisition of the Target Land through Listing-for-Sale, by the Project Company or New Island
“Land Consideration”	the consideration for the acquisition of the Target Land through Listing-for-Sale, initially estimated to be not more than the Estimated Bid
“Listing-for-Sale”	the listing-for-sale bidding process (掛牌出讓) to be held for the Target Land
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Liuhe Development Committee”	Nanjing Liuhe Economic Development Zone Management Committee* (南京六合經濟開發區管委會), a governmental body in the PRC responsible for, among other things, administrating the Economic Zone
“Nanjing Shareholders”	Pang Haishu (龐海樹), Yuan Qingting (袁青亭), Pang Xiaoling (龐小玲) and Pang Gaofeng (龐高峰), all are shareholders of Nanjing Yunhai and citizens in the PRC

“Nanjing Yunhai”	Nanjing Yunhai Auto Glass Equipment Manufacturing Co., Ltd.* (南京雲海汽車玻璃設備製造有限公司), a company established in the PRC with limited liability
“New Island”	New Island Printing Company Limited (新洲印刷有限公司), a company established in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary 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
“Project Company”	New Island Packaging Technology (Jiangsu) Company Limited* (新洲包裝科技(江蘇)有限公司), a company established in the PRC with limited liability, which is 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 Assets”	comprises of workshop, factory, auxiliary rooms, power distribution room overall facilities etc. which are located on the Target Land
“Target Land”	the land parcel situated at Liuhe Economic Development Zone* (六合經濟開發區), Nanjing City, Jiangsu Province, the PRC, with a total site area of approximately 107 mu
“US\$”	United States dollars, the lawful currency of the United States

“Vendors” collectively Nanjing Yunhai and Nanjing Shareholders

“%” per cent.

By order of the Board
Huajun International Group Limited
Meng Guang Bao
Chairman and Executive Director

Hong Kong, 15 May 2019

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.15. 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 purpose only*