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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 DISPOSAL OF THE SALE SHARES IN AND SALE LOAN OWED BY HUAREN REAL ESTATE

THE DISPOSAL

The Board is pleased to announce that on 30 March 2020 (after trading hours), the Sale and Purchase Agreement was entered into between the Vendor and the Purchaser, pursuant to which the Vendor, indirect wholly-owned subsidiary of the Company, has agreed to sell and the Purchaser has agreed to acquire the Sale Shares and the Sale Loan for a total consideration of RMB252,110,000, comprising of RMB20,000,000 being the consideration for the Sale Shares and RMB232,110,000 being the consideration for the Sale Loan.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal is more than 25% but less than 75%, the Disposal as contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

Since (i) no Shareholder is required to abstain from voting if the Company convenes a general meeting for the approval of the Disposal; and (ii) 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 Disposal, 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 approval of the Disposal pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Disposal is expected to be despatched to the Shareholders on or before 22 April 2020.

THE SALE AND PURCHASE AGREEMENT

The Disposal

The Board is pleased to announce that on 30 March 2020 (after trading hours), the Sale and Purchase Agreement was entered into between the Vendor and the Purchaser, pursuant to which the Vendor, indirect wholly-owned subsidiary of the Company, has agreed to sell and the Purchaser has agreed to acquire the Sale Shares and the Sale Loan for a total consideration of RMB252,110,000, comprising of RMB20,000,000 being the consideration for the Sale Shares and RMB232,110,000 being the consideration for the Sale Loan.

Set out below are the principal terms of the Sale and Purchase Agreement:

Date: 30 March 2020

Parties: (i) Baohua Properties (China) Limited* (保華地產(中國)有限公司), as the Vendor

As at the date of this announcement, the Vendor is an indirect wholly-owned subsidiary of the Company.

(ii) Changzhou Shiao New Energy Co., Ltd* (常州世傲新能源有限公司), as the Purchaser

As advised by the Purchaser, the Purchaser is principally engaged in new energy technology consultation and power station operation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Party(ies).

Assets to be disposed of by the Vendor

Sale Shares

Pursuant to the Sale and Purchase Agreement, the Purchaser has agreed to acquire and the Vendor has agreed to sell the Sale Shares and the Sale Loan at the Consideration of RMB252,110,000. The liability of Huaren Real Estate prior to the Completion will be borne by the Vendor.

The Sale Shares representing the entire equity interest of Huaren Real Estate which is a limited liability company incorporated in the PRC. Huaren Real Estate is principally engaged in the real estate development in Huai'an City, Jiangsu Province, the PRC. The principal asset of Huaren Real Estate is the properties erected on the Land which is situated at No. 8 Guangzhou Road, Qinghe District, Huai'an City, Jiangsu Province, the PRC.

Sale Loan

The Sale Loan which is in an aggregate amount of RMB232,110,000 owed by Huaren Real Estate to the Vendor before Completion.

The properties erected on the Land is currently pledged to secure loan granted by bank to a subsidiary of the Company which is a fellow subsidiary of Huaren Real Estate. Upon receipt of the Consideration, the Vendor will arrange for the pledge to be released.

Consideration and payment

The Consideration for the Sale Shares and the Sale Loan is RMB252,110,000. Pursuant to the Sale and Purchase Agreement, the Purchaser will fully pay the Consideration to the Vendor within 30 days of the date of the execution of the Sale and Purchase Agreement.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to, among others, (i) the amount of the Sale Loan as at the date of this announcement; (ii) the paid-up capital of Huaren Real Estate of RMB20,000,000 and (iii) the preliminary valuation prepared by an independent valuer.

Accordingly, the Board considers that the Consideration and the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and are in the interest of the Company and its Shareholders as a whole.

Completion

The parties shall endeavour to procure the registration of the transfer of the Vendor's ownership in the Sale Shares to the Purchaser as soon as practicable after the Vendor has received the full payment of the Consideration under the Sale and Purchase Agreement.

Immediately after the Completion, Huaren Real Estate will cease to be a subsidiary of the Company and the financial results of Huaren Real Estate will no longer be consolidated into the Group's financial statements.

INFORMATION ON HUAREN REAL ESTATE

Huaren Real Estate is a company incorporated in the PRC with limited liability and is entirely owned by the Vendor as at the date of this announcement. The financial information of Huaren Real Estate for the two financial years ended 31 December 2018 and 2019 is set out below:

	For the year ended 31 December 2019 (Unaudited) RMB'000	For the year ended 31 December 2018 (Unaudited) RMB'000
Loss before taxation	5,404	3,382
Loss after taxation	5,404	3,382

The unaudited net asset value and total asset value of Huaren Real Estate as at 31 December 2019 were approximately RMB6.7 million and RMB233.6 million respectively.

POSSIBLE FINANCIAL EFFECT OF THE DISPOSAL AND THE PROPOSED USE OF PROCEEDS

Immediately after the Completion, Huaren Real Estate will cease to be a subsidiary of the Company and the financial results of Huaren Real Estate will no longer be consolidated into the Group's financial statements.

The net proceeds (after deducting other expenses in relation thereto) arising from the Disposal will be of approximately RMB251.5 million. Based on, among other things, the Consideration and the related expenses for the Disposal, the Group currently expects to record a gain arising from the Disposal of approximately RMB14.2 million upon Completion, subject to review by the auditors of the Company.

The Group intends to apply the net proceeds from the Disposal to repay part of its current debts.

Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Disposal may be different from the above and will be determined based on the financial position of Huaren Real Estate on the date of the Completion and the review by the Company's auditors.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 solar photovoltaic products.

In order to 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 Vendor has acquired the entire interest of Huaren Real Estate in the past. The Company expects to be able to sell all the units which are situated on the Land. However, the outbreak of COVID-19 in January 2020 has caused disruptions to many industries. The Company believes the business environment in the PRC might change substantially.

In light of the above, the Directors are of the view the Disposal would benefit the Group by realising its investment in Huaren Real Estate and improving the liquidity and overall financial position of the Group.

The Directors believe that the terms of the Disposal are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal is more than 25% but less than 75%, the entering into of the Sale and Purchase Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

Since (i) no Shareholder is required to abstain from voting if the Company convenes a general meeting for the approval of the Disposal; and (ii) 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 Disposal, 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 approval of the Disposal pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, further details of the Disposal is expected to be despatched to the Shareholders on or before 22 April 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Board”	the board of Directors;
“Company”	Huajun International Group Limited (Stock Code: 377), a company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Consideration”	RMB252,110,000, being the total consideration payable by the Purchaser to the Vendor for the disposal of the Sale Shares and the Sale Loan;
“Director(s)”	the director(s) of the Company;

“Disposal”	the disposal of the Sale Shares and Sale Loan by the Vendor to the Purchaser as contemplated under the Sale and Purchase Agreement;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huaren Real Estate”	Huaren Real Estate (Huai’an) Co., Ltd* (華仁置業(淮安)有限公司), a limited liability company incorporated in the PRC, which is directly wholly-owned by the Vendor as at the date of this announcement
“Independent Third Party(ies)”	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
“Land”	land parcel situate at No. 8 Guangzhou Road, Qinghe District, Huai’an City, Jiangsu Province, the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, but for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Changzhou Shiao New Energy Co., Ltd* (常州世傲新能源有限公司), a limited liability company established in the PRC on 17 October 2019, an Independent Third Party of the Company;

“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 March 2020 and entered into between the Vendor and the Purchaser in relation to the Disposal;
“Sale Shares”	representing the 100% equity interest and the paid-up capital of Huaren Real Estate;
“Sale Loan”	an aggregate amount of RMB232,110,000 owed by Huaren Real Estate to the Vendor;
“Share(s)”	the ordinary share(s) of HK\$1.00 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning as ascribed thereto under the Listing Rules;
“Vendor”	Baohua Properties (China) Limited* (保華地產(中國)有限公司), as at the date of this announcement, an indirect wholly-owned subsidiary of the Company;
“%”	per cent.

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

Hong Kong, 30 March 2020

If there is any inconsistency in this announcement between the Chinese and English versions, then English version shall prevail.

As at the date of this announcement, the Board comprises Mr. Meng Guang Bao, Ms. Zhang Ye, Mr. Zeng Hongbo and Ms. Huang Xiumei as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.

* For identification purpose only