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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 AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN AND DEBT DUE BY HENGLIFENG MALL (DALIAN) CO., LTD\* INVOLVING ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE**

#### **THE ACQUISITION**

The Board is pleased to announce that on 5 June 2020 (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 RMB98,800,000 (equivalent to approximately HK\$107,692,000), comprising of RMB8,800,000 (equivalent to approximately HK\$9,592,000) being the consideration for the Target Equity Interest and RMB90,000,000 (equivalent to approximately HK\$98,100,000) being the consideration for the Debt.

The Consideration shall be satisfied by issue of Convertible Bond which carries the right to convert into Conversion Shares at HK\$38.00 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 2,834,000 new Shares, being the Conversion Shares, may be allotted and issued to the Vendor and/or to its nominee subject to the Conversion Restriction, representing approximately 4.60% of the existing issued share capital of the Company as of the date of this announcement and approximately 4.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date, save as the issue of the Conversion Shares). The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

#### **IMPLICATIONS UNDER LISTING RULES**

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition 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 wholly owned by Mr. Meng, an executive Director of the Company and chairman of the Board. Accordingly, the Vendor is an associate of Mr. Meng, a connected person of the Company, and the transaction contemplated under the Agreement constitute connected transaction of the Company under Chapter 14A of the Listing Rules. 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 the grant of the Specific Mandate 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.

## 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 grant of the Specific Mandate for the issue of the Convertible Bond. An 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 grant of 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 the grant of the Specific Mandate; (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 grant of the Specific Mandate; and (iv) notice of the SGM, is expected to be despatched to the Shareholders on or before 10 July 2020, 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 5 June 2020 (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 RMB98,800,000 (equivalent to approximately HK\$107,692,000), comprising of RMB8,800,000 (equivalent to approximately HK\$9,592,000) being the consideration for the Target Equity Interest and RMB90,000,000 (equivalent to approximately HK\$98,100,000) being the consideration for the Debt.

## I. THE AGREEMENT

Principal terms of the Agreement are set out as follows:

**Date:** 5 June 2020

**Parties:** Vendor : Chinese Meng Group Co., Limited  
(中國孟集團股份有限公司)

Purchaser: Huajun Department Store (Dalian) Co., Ltd.\* (華君百貨(大連)有限公司)

### (i) Asset to be acquired

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, in aggregate 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 an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

As advised by the Vendor, the Target Company currently owns the Target Property, which is situated at No. 151, Heping Road, Zhongchang Street, Jinzhou District, Dalian, the PRC, with a total site area of approximately 31,075.84 square meters. As advised by the Vendor, the Target Property is for commercial use and the Target Property comprises 650 various commercial units located at Level 1 to 3 of a 3-storey shopping arcade known as Henglifeng Shopping Mall\* (恒利豐商城) which is currently subject to a mortgage and will be released on or before Completion.

Before Completion, the Vendor will reorganize the debts of the Target Company so that after the reorganization of the said debts, save and except the Debt, the Target Company shall have liabilities of no more than RMB2,600,000 (the “**Debt Reorganisation**”).

**(ii) Consideration**

The Consideration, for the Target Equity Interest and the Debt shall be in aggregate of RMB98,800,000 (equivalent to approximately HK\$107,692,000), comprising of RMB8,800,000 (equivalent to approximately HK\$9,592,000) being the consideration for the Target Equity Interest and RMB90,000,000 (equivalent to approximately HK\$98,100,000) being the consideration for the Debt. Pursuant to the Agreement, the Vendor and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK\$1.09.

As advised by the Vendor, the original acquisition cost incurred by it for the acquisition of the Target Company was approximately RMB84,000,000 (equivalent to approximately HK\$91,560,000).

Pursuant to the Agreement, within 20 Business Days after the Completion Date, the Purchaser shall pay the Consideration to the Vendor by issue of the Convertible Bond, at the Issue Price, to the Vendor and/or its nominee.

The Consideration was determined by the Purchaser and the Vendor after arm’s length negotiations with reference to (i) the preliminary valuation of the Target Property of approximately RMB196,000,000 as at 30 April 2020 prepared by an independent valuer; (ii) the unaudited net assets value of approximately RMB71.1 million of the Target Company as at 31 March 2020; and (iii) the current nominal amount of the Debt in the sum of not less than RMB90,000,000 at Completion, to be assigned pursuant to the Agreement.

## **The principal terms of the Convertible Bond to be issued to satisfy the payment of the Consideration**

Principal terms of the Convertible Bond 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\$107,692,000   |
| Conversion Price: | HK\$38.00 per new Share, subject to adjustment                |
| Maturity Date:    | the date falling on the fifth anniversary from the Issue Date |
| Interest:         | interest-free   |
| Redemption:       | At maturity   |

all outstanding principal amount of the Convertible Bond which have not been redeemed or converted in accordance with the conditions set out in the Bond 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 Bond, unless the Bondholders request for full conversion of their Convertible Bond

|                    |   |
|--------------------|---|
| 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 Bond held by such Bondholder into such number of Shares as will be determined by dividing the principal amount of the Convertible Bond to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion |
|--------------------|---|

Conversion  
Restrictions:

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 the Company no longer maintain the minimum public float of the Shares required under the Listing Rules upon the Conversion;
- (b) any exercise of Conversion Rights shall be subject to all applicable laws, 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.

The above restrictions are collectively referred to as the “**Conversion Restrictions**”.

Transferability:

- (a) the Convertible Bond (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
- (b) any transfer of any Convertible Bond 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 Bond

**Ranking:** the obligations of the Company arising under the Convertible Bond 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

The Convertible Bond carries 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, 2,834,000 Shares, being the Conversion Shares may be allotted and issued to the Vendor and/or to its nominee subject to the Conversion Restriction, representing approximately 4.60% of the existing issued share capital of the Company as of the date of this announcement and approximately 4.40% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement to the Completion Date, save as the issue of the Conversion Shares). The details of the shareholdings are set out in the paragraph headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” below.

### **Conversion Price**

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

- (a) a premium of approximately 222.58% over the closing price of HK\$11.78 per Share as quoted on the Stock Exchange on date of the Agreement;
- (b) a premium of approximately 225.34% over the closing price of HK\$11.68 per Share as quoted on the Stock Exchange on Last Trading Date;
- (c) a premium of approximately 223.40% over the average closing price of HK\$11.75 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Agreement; and

- (d) a premium of approximately 222.03% over the average closing price of HK\$11.80 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date.

### **Basis of the Conversion Price**

The Conversion Price was determined after arm's length negotiation between the Purchaser and the Vendor, with reference to the prevailing market price of the Share as shown above. The Directors (other than (i) Mr. Meng, who had abstained from voting at the relevant resolution of the Board meeting and will abstain from voting on the relevant resolutions at the SGM; and (ii) the independent non-executive Directors who will form an opinion after taken into consideration of the recommendation from the Independent Financial Advisor) consider that the Conversion Price, the Consideration and the terms and conditions of the Agreement are fair and reasonable, based on the current market conditions, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

### **Application of Listing**

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

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

## **II. CONDITIONS PRECEDENT**

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

- (1) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Conversion Shares;

- (2) the Independent Shareholders having passed the resolutions to approve the Agreement, the transactions contemplated thereunder and the allotment and issue of the Conversion Shares under the Specific Mandate;
- (3) the Vendor is the legal and beneficial owner of the Target Equity Interest and the Debt; the Target Equity Interest and all the assets of the Target Company (including but not limited to the Target Land) is free from any encumbrance or third party's rights and will not be impounded, frozen, or mortgaged by the court or other regulatory authorities prior to Completion;
- (4) the Target Company is the legal and beneficial owner of the properties situated on the Target Land which are free from any encumbrance or third party's rights;
- (5) the documents evidencing the Debt Reorganization have been completed and delivered to the Purchaser (the contents of which are to the satisfaction of the Purchaser);
- (6) the completion of the transfer of Target Equity Interest and Debt are in accordance with the laws of the PRC and are completed to the satisfaction of the Purchaser, and the Debt is no less than RMB90,000,000 (equivalent to HK\$98,100,000);
- (7) the Purchaser has received the valuation report (the contents of which are to the satisfaction of the Purchaser) of the Target Land together with the properties situated on the Target Land;
- (8) the management of the 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 and/or relevant interest before and at the Completion Date; and the representations, warranties and undertakings given by the Vendor are true and accurate on the Completion Date;
- (9) the Vendor has obtained all necessary agreements, approval, authorizations, exemptions, permissions and certifications from third parties in respect of the Acquisition and relevant matters;
- (10) 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 representations, warranties and undertakings 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. The Vendor shall forthwith refund all amount paid by the Purchaser, if any, with interest. None of the parties shall claim against the other party, upon the said amount has been fully refunded to the Purchaser.

### **III. COMPLETION**

Within 14 days from the date of Independent Shareholders' approval of the Agreement, the Vendor shall, among other things, (a) change the registration of ownership of the Target Equity Interest from the Vendor to the Purchaser or its designated third party; (b) complete changing the legal representative, director, supervisor, business license, organization code certificate, account opening permit, land registration information etc.; (c) complete the handover matters in connection with the Agreement; and (d) complete changes matters in connection with changing the Target Equity Interest and legal representative.

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.

### **IV. INFORMATION OF THE GROUP**

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 solar photovoltaic products.

### **V. 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. The principal activity of the Purchaser is operating of department store and distribution and trading of household consumables.

### **VI. INFORMATION OF THE VENDOR**

As advised by the Vendor, the Vendor is a company incorporated in Hong Kong with limited liability and its principal business is, among other thing, investment holding.

As at the date of this announcement, the Vendor is ultimately owned by Mr. Meng, therefor the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

## VII. INFORMATION ON THE TARGET COMPANY

As advised by the Vendor, the Target Company is a company established in the PRC with limited liability on 6 January 2006 and its principal business is, among other things, marketing management, marketing services, property management and retail. The Target Company currently owns the Target Land.

Upon Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company and their financial results will be consolidated into the financial results of the Group.

### Financial Information of the Target Company

Set out below is the unaudited financial information of the Target Company for each of the two financial years ended 31 December 2018, 31 December 2019 and the three months ended 31 March 2020, as extracted from its unaudited management accounts of the Target Company provided by the Vendor (for illustration purposes only):

|                                       | <b>For the<br/>year ended<br/>31 December<br/>2018<br/>(RMB'000)<br/>(unaudited)</b> | <b>For the<br/>year ended<br/>31 December<br/>2019<br/>(RMB'000)<br/>(unaudited)</b> | <b>For the<br/>three months<br/>ended 31 March<br/>2020<br/>(RMB'000)<br/>(unaudited)</b> |
|---------------------------------------|--|--|---|
| Net loss for the year before taxation | 2,526  | 874  | 60  |
| Net loss for the year after taxation  | 2,526  | 874  | 60  |

Based on the unaudited management accounts of the Target Company provided by the Vendor, the unaudited net asset value and total asset value of the Target Company as at 31 December 2019 were approximately RMB71.7 million and approximately RMB459.7 million respectively.

## VIII. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 61,543,075 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) immediately following the Completion and assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding; and (iii) immediately following the Completion and assuming full conversion of 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 Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding |                       | (iii) Immediately following the Completion and assuming full conversion of 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 %  |                       |
| <b>Substantial Shareholder</b>                         |   |                       |   |                       |  |                       |
| China Huajun Group Limited ( <i>Note 1</i> )           | 44,450,619                              | 72.23%                | 44,450,619  | 69.05%                | 44,450,619   | 62.79%                |
| Mr. Meng ( <i>Note 2</i> )                             | 810,280                                 | 1.31%                 | 810,280   | 1.26%                 | 810,280  | 1.15%                 |
| <b>Sub-total</b>                                       | <b>45,260,899</b>                       | <b>73.54%</b>         | <b>45,260,899</b>   | <b>70.31%</b>         | <b>45,260,899</b>  | <b>63.94%</b>         |
| Vendor   | -                                       | -                     | 2,834,000   | 4.40%                 | 2,834,000  | 4.00%                 |
| Holder of existing convertible bonds ( <i>Note 3</i> ) | -                                       | -                     | -   | -                     | 6,411,764  | 9.06%                 |
| Other public shareholders                              | 16,282,176                              | 26.46%                | 16,282,176  | 25.29%                | 16,282,176   | 23.00%                |
|  | <b><u>61,543,075</u></b>                | <b><u>100.00%</u></b> | <b><u>64,377,075</u></b>  | <b><u>100.00%</u></b> | <b><u>70,788,839</u></b>   | <b><u>100.00%</u></b> |

*Notes:*

- China Huajun Group Limited is also interested in certain convertible bonds for which, if exercised in full, a total of 58,031,578 conversion shares shall be issued. Among the interest in 58,031,578 shares, interest in 26,315,789 shares involve the convertible bond which has been approved by shareholders but not yet been issued. The issue of these convertible is subject to the completion of the subscription agreement. For the details of the convertible bond which has not yet been issued, please refer to the circular of the Company dated 29 April 2020.
- Apart from 810,280 Shares held by Mr. Meng directly, Mr. Meng is also personally holding 387,351 share options. Mr. Meng is deemed to be interested in the shares held by China Huajun Group Limited.
- 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.

The above shareholdings of the Company set out in the above table are for illustration purpose only. As one of the Conversion Restrictions is that 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 the Company no longer maintain the minimum public float (i.e. 25%) of the Shares required under the Listing Rules upon the Conversion, the collective shareholding in the Company held by Mr. Meng, China Huajun Group Limited and their respective associates shall never reach more than 75%.

## **IX. REASONS FOR AND BENEFITS OF THE ACQUISITION**

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 Consideration will be fully satisfied by the issue of the Conversion Shares under the Convertible Bond, the Company will not face any immediate cash outflow for the Consideration, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate.

Accordingly, the Board (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) is of the view that the Conversion Price, the Consideration, terms of the Agreement including the terms for issue of the Convertible Bond and the Conversion Shares, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **X. 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:

| <b>Date of announcement</b> | <b>Event</b>                                      | <b>Net Proceeds (approximately)</b> | <b>Intended use of proceed</b>   | <b>Actual use of proceeds</b>                        |
|-----------------------------|---|-------------------------------------|--|--|
| 22 January 2020             | Issue of convertible bonds under specific mandate | Approximately HK\$999,500,000       | (i) HK\$537,600,000 for repayment of borrowings<br><br>(ii) HK\$168,000,000 for capital expenditure for high-end printing and packaging production base<br><br>(iii) HK\$293,900,000 for general working capital | Not applicable as the subscription has not completed |

(For details, please refer to the circular published by the Company on 29 April 2020)

## **XI. IMPLICATIONS UNDER THE LISTING RULES**

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition 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 wholly owned by Mr. Meng, an executive director and chairman of the Company. Accordingly, the Vendor is an associate of Mr. Meng, connected person of the Company, and the transactions contemplated under the Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. 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 the grant of the Specific Mandate 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.

## **XII. 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 grant of the Specific Mandate for the issue of the Convertible Bond. An 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 grant of 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 the grant of the Specific Mandate; (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 grant of the Specific Mandate; and (iv) notice of the SGM, is expected to be despatched to the Shareholders on or before 10 July 2020, 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.**

### **XIII. DEFINITIONS**

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

|                   |  |
|-------------------|--|
| “Acquisition”     | the acquisition of the Target Equity Interest and the Debt contemplated under the Agreement  |
| “Agreement”       | the agreement dated 5 June 2020 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 Bond  |
| “Bond Instrument” | the instrument constituting the Convertible Bond to be executed by the Company to the Vendor upon Completion   |
| “Business Day(s)” | 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 the 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)                                      |

|                               |   |
|-------------------------------|---|
| “Conditions”                  | the conditions precedent of the Agreement as set out in the section headed “Conditions Precedent” in this announcement  |
| “Conditions Fulfillment Date” | 31 December 2020 or such later date as agreed between the parties   |
| “connected person(s)”         | has the meaning ascribed to it under the Listing Rules  |
| “Consideration”               | RMB98,800,000 (equivalent to approximately HK\$107,692,000), the total consideration for the Target Equity Interest and the Debt under the Agreement  |
| “Convertible Bond”            | convertible bond in the aggregate amount of HK\$107,692,000 to be issued by the Company, pursuant to the Bond Instrument  |
| “Conversion Period”           | the period commencing from the date of issue of the Convertible Bond 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\$38.0 per Conversion Share   |
| “Conversion Rights”           | the conversion rights attaching to the Convertible Bond to convert the principal amount or a part there of into Conversion Shares   |
| “Conversion Shares”           | 2,834,000 new Shares which may fall to be allotted and issued by the Company to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor                 |
| “Debt”                        | all amounts (whether principal, interest or otherwise) of the amounts owing by the Target Company to the Vendor at Completion, which will not be less than RMB90,000,000 (equivalent to approximately HK\$98,100,000) |
| “Director(s)”                 | director(s) of the Company  |
| “Group”                       | the Company and its subsidiaries  |

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|---------------------------------|--|
| “HK\$”                          | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”                     | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Board Committee”   | the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Agreement and the Specific Mandate   |
| “Independent Financial Adviser” | the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the Specific Mandate  |
| “Independent Shareholders”      | Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bond and Conversion Shares under the Specific Mandate |
| “Issue Price ”                  | the issue price of the Convertible Bond, which shall be 100% of the principal amount of the Convertible Bond   |
| “Last Trading Date”             | 4 June 2020, 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 fifth anniversary from the date of issue of the Convertible Bond   |
| “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  |

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| “PRC”                    | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan   |
| “Purchaser”              | Huajun Department Store (Dalian) Co., Ltd.* (華君百貨(大連)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   |
| “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 grant of the Specific Mandate   |
| “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 issue of the Conversion Shares, fall to be issued under the Convertible Bond, 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 published by the SFC from time to time   |
| “Target Company”         | Henglifeng Mall (Dalian) Co., Ltd.* (恒利豐商城(大連)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 situated at No. 151, Heping Road, Zhongchang Street, Jinzhou District, Dalian, the PRC, with a total site area of approximately 31,075.84 square meters   |
| “Target Property” | the property erected on the Target Land   |
| “Vendor”          | Chinese Meng Group Co., Limited (中國孟集團股份有限公司), a company established in Hong Kong with limited liability, which is ultimately wholly owned by Mr. Meng, chairman of the Board and executive Director of the Company |
| “%”               | per cent.   |

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

Hong Kong, 5 June 2020

*For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.09. 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, Ms. Huang Xiumei and Ms. Bao Limin 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*