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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Huajun Group Limited (the “**Company**”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

**PROPOSED ISSUE OF SCHEME
SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening a special general meeting of the Company to be held at 18th Floor, Nine Queen's Road Central, Hong Kong on Monday, 24 March 2025 at 10:00 a.m., is set out on pages 24-26 of this circular. Whether or not you are able to attend and vote at the special general meeting of the Company in person, you are requested to read the notice and to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the special general meeting of the Company or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting of the Company or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked. For the avoidance of doubt, holders of treasury Shares (if any) are not entitled to vote at the special general meeting.

This circular together with the form of proxy are also published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chinahuajungroup.com>).

10 March 2025

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DEFINITIONS

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

“Adjudicator”	such person with experience in the adjudication of creditors’ claims in a liquidation as the Scheme Administrators shall nominate and appoint
“Admitted Claim(s)”	the Scheme Claims of the Scheme Creditors against the Company which have been admitted by the Scheme Administrators or by the Adjudicator (as the case may be) in accordance with the Scheme
“Announcement”	the announcement of the Company dated 10 February 2025 relating to the proposed issue of Scheme Shares under Specific Mandate
“Associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (excluding a Saturday, a Sunday, a public holiday and a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted or announcement on extreme conditions is issued in Hong Kong at any time and remaining in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong
“Bye-laws”	the amended and restated bye-laws of the Company (as amended from time to time)
“Claim(s)”	any debt, liability or obligation of the Company to as at the Claims Record Time, whether known or unknown, whether present or future, whether certain or contingent, whether liquidated or unliquidated, and which includes without limitation a debt or liability to pay money or money’s worth, any liability under any statute or enactment, any liability for breach of trust, any liability in contract, tort or bailment and any liability arising out of an obligation to make restitution, which would be admissible to proof in a compulsory winding-up of the Company under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)

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“Claim Bar Date”	the date to be determined by the Scheme Administrators which is three (3) months after the date of publication of the advertisements for the Scheme Creditors to submit notice of claim for scheme consideration to the Scheme Administrators. The Claim Bar Date will be set as soon as practicable after the Restructuring Effective Date.
“Claims Record Time”	11:59 p.m. on 31 December 2024 Hong Kong Time, shall be the time designated by the Company for the determination of the Scheme Claims for the purposes of voting at the Scheme Meeting(s). All Scheme Claims are determined as at the Claims Record Time. The Company will be entitled to exercise discretion as to whether it recognises any assignment or transfer of Scheme Claims after the Claims Record Time. For the avoidance of doubt, the total accrued interest (including default interest, if any) up to Claims Record Time corresponding to the principal amount of the Scheme Claim will be part of the Scheme Claim in the Scheme for voting and Scheme Consideration purposes, with the latter subject to adjudication. Any other accrued interests incurred beyond the aforementioned period shall be waived
“Companies Ordinance”	Companies Ordinance (Cap. 622 of the Laws of Hong Kong) under the law of Hong Kong
“Company”	China Huajun Group Limited (Stock Code: 377), a company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange
“Committed Creditor(s)”	Scheme Creditor(s) who has/have executed or otherwise acceded to the Restructuring Support Letter on or before the Consent Fee Deadline
“Connected person(s)”	has the meaning ascribed thereto under the Listing Rules

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“Consent Fee”	a one-off payment, to be paid by the Company in accordance with the terms of the Scheme, in an amount equal to 2.0% of the outstanding principal amount of the respective Admitted Claim (excluding any interest accrued or to be accrued), owed by the Company to such Scheme Creditor(s), who have executed and delivered the original of the Restructuring Support Letter to the Company on or before the Consent Fee Deadline, subject to a cap of HK\$100,000 for each Scheme Creditor. Consent Fee are to be paid on or before 60 days after the Restructuring Effective Date
“Consent Fee Deadline”	on or before 5:00 p.m. on 31 May 2024 which may be extended in accordance with the terms of the Scheme
“Court”	the High Court of Hong Kong
“Creditor(s)”	creditor(s) of the Company
“Directors”	the directors of the Company
“Encumbrance”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation or other encumbrance, priority or security interest, deferred purchase, title retention, leasing, sale-and-repurchase or sale-and-leaseback arrangement whatsoever over or in any property, assets or rights of whatsoever nature and includes any agreement for any of the same
“Excluded Claims”	Preferential Claims, Secured Claims, Excluded Creditor and operational claims
“Excluded Creditor”	certain creditor excluded by the Company
“Group”	the Company and its subsidiaries
“HGL”	Huajun Group Limited (華君集團有限公司), a company incorporated in Hong Kong with limited liability, which was 100% beneficially owned by Mr. Meng Guang Bao, a controlling Shareholder (as defined under the Listing Rules), substantial shareholder and unsecured creditor of the Company
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong

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“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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, and the term “Independent Third Party” shall be construed accordingly
“Latest Practicable Date”	7 March 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Last Trading Day”	7 February, 2025, being the last trading day prior to the date of the Announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maximum Amount”	a maximum claim of up to HK\$478 million that the Scheme will allow for Option A
“Option A”	the option A available for election by the Scheme Creditors as specified in the section headed “II. A. Option A” in the Letter from the Board in this circular
“Option A Admitted Claim”	the Scheme Claims of the Option A Creditors against the Company which have been admitted by the Scheme Administrators or by the Adjudicator (as the case may be) in accordance with the Scheme
“Option A Creditor(s)”	the Scheme Creditor(s) who have elected the Option A
“Option B”	the option B available for election by the Scheme Creditors specified in the section headed “II. C. Option B” in the Letter from the Board in this circular
“Option B Admitted Claim”	the Scheme Claims of the Option B Creditors against the Company which have been admitted by the Scheme Administrators or by the Adjudicator (as the case may be) in accordance with the Scheme
“Option B Creditor(s)”	the Scheme Creditor(s) who have elected the Option B

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“Option B Discharged Amount”	has the meaning ascribed thereto in sub-section headed “II. C. Option B” in the Letter from the Board in this circular
“Option B Remaining Principal”	has the meaning ascribed thereto in sub-section headed “II. C. Option B” in the Letter from the Board in this circular
“Person”	includes any individual, company, body corporate, enterprise or other economic organisation, government authority or agency, or any joint venture, association or partnership, trade union or employee representative body (whether or not having separate legal personality) and includes a reference to that person’s successors and permitted assigns
“Preferential Claim(s)”	any debts that, by virtue of Section 265 of Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), would be paid in priority to the general unsecured debts of the Company if the Company were wound up on the basis of the Winding-up Petition
“Restructuring Conditions”	has the meaning ascribed thereto in sub-section headed “F. Conditions Precedent to the Scheme” in the Letter from the Board in this circular
“Restructuring Effective Date”	the date on which the Scheme becomes effective, being the date, which is a Business Day, specified by the Company in a notice to the Scheme Creditors (amongst others), on which all the Restructuring Conditions are fulfilled (regardless of whether a Scheme Creditor voted in favour of the Scheme)
“Restructuring Support Letter”	collectively the restructuring support letters (as amended from time to time) entered into between the Company and the respective Committed Creditors
“RMB”	Renminbi, the lawful currency of the People’s Republic of China, but for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Sanction Order”	the approval or sanction on the Scheme by the Court
“Scheme” or “Scheme of Arrangement”	the proposed scheme of arrangement, as amended, supplemented or otherwise modified from time to time, pursuant to sections 670 and 673 of the Companies Ordinance and to be made between the Company and the Scheme Creditors
“Scheme Administrator(s)”	Mr. Wan Hiu Yeung (also known as Jacky Wan) and Mr. So Man Chun (also known as Christopher So), both of PricewaterhouseCoopers Limited acting jointly and severally or their successors who are appointed by the Company as scheme administrators pursuant to the terms of the Scheme
“Scheme Claim(s)”	any Claim: (i) which is not a Preferential Claim (and where the Claim is only in part a Preferential Claim, then the Person is a Scheme Creditor only to the extent of the non-preferential portion of the Claim); (ii) which is not a Secured Claim (and where the Claim is only in part a Secured Claim, then the Person is a Scheme Creditor only to the extent of the unsecured part of the Claim)
“Scheme Creditor(s)”	any Person having a Claim other than the Excluded Creditors
“Scheme Meeting(s)”	the meeting(s) of the Scheme Creditors held at 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on 25 February 2025 at 11:00 a.m. Hong Kong time for the purpose of considering and approving the Scheme by the Scheme Creditors, and any adjournment thereof
“Scheme Shares”	24,600,000 new Shares, ranking <i>pari passu</i> in all respects with the Shares and representing approximately 28.6% of the total issued share capital of the Company as of the Restructuring Effective Date on a fully-diluted basis, to be allotted and issued by the Company to such Scheme Creditor(s) who have validly elected the Option A of the Scheme
“Scheme Shares Issue Price”	the issue price per Scheme Share is HK\$1.00
“Secured Claim(s)”	claim(s) which is secured by any Security Interest

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“Secured Creditor(s)”	creditor(s) whose claims are secured by Security Interest (and where the Claim is only in part a Secured Claim, then the Person is a Scheme Creditor only to the extent of the unsecured part of the Claim (i.e. after deducting the value of the Security Interest))
“Security Interest”	any mortgage, pledge, lien, charge, other encumbrance, hypothecation or security interest of whatsoever kind, or any other agreement or arrangement having the effect of containing security including any proceeds or realisation of any of the above held by Secured Creditors
“SFC”	The Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held to consider and, if thought fit, approve, among other things, the granting of the Specific Mandate for the issue of Scheme Shares under the Scheme and other ancillary matters as may be required under the Listing Rules
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	an unsecured, non-interest bearing with no fixed repayment date shareholder’s loan, of the amount of RMB197.6 million (or HK\$212.2 million) provided by HGL to the Company
“Share(s)”	ordinary share(s) of HK\$1.00 each in the issued share capital of the Company
“Specific Mandate”	the specific mandate to be granted by the Shareholders to the Board at the SGM for the allotment and issue of the Scheme Shares to be issued under the Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.”	the United States of America

DEFINITIONS

“Voting Deadline”	the latest date and time for delivery of the Notice of Claim for Voting Purposes and Form of Proxy, which was 11:59 p.m. on 20 February 2025, being three (3) Business Days prior to the date of the Scheme Meeting
“Winding-up Petition”	the winding-up petition presented by the LI Fuxing (李福興) in HCCW 395/2023 on 6 September 2023
“%”	per cent.

LETTER FROM THE BOARD



CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

Executive Directors:

Mr. Yan Ruijie

(Chairman and Chief Executive Officer)

Ms. Chen Yun

Independent non-executive Directors:

Mr. Shen Ruolei

Mr. Ding Xingfu

Mr. Mok Yi Kwo

Registered office:

Victoria Place, 5th Floor,
31 Victoria Street, Hamilton,
Pembroke, HM10,
Bermuda

*Head office and principal place
of business in Hong Kong:*

Suites 2404-2405,
24th Floor, Alliance Building
130-136 Connaught Road Central
Sheung Wan
Hong Kong

10 March 2025

To the Shareholders,

Dear Sir/Madam,

**PROPOSED ISSUE OF SCHEME SHARES
UNDER SPECIFIC MANDATE
AND
NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

As disclosed in the Announcement, the Company has been pursuing a debt restructuring by way of the Scheme. The implementation of the Scheme is conditional upon, among others, the passing of a resolution at the SGM by the Shareholders to approve the Specific Mandate to allot and issue the Scheme Shares.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with, among others, (a) information in respect of the resolution to be proposed at the SGM for the approval of the Specific Mandate and (b) notice of the SGM for passing the relevant ordinary resolution.

Reference is also made to the previous announcements of the Company, the latest being dated 24 January 2025 and the Announcement regarding the Winding-up Petition against the Company and the proposed implementation of the Scheme respectively.

On 6 September 2023, LI Fuxing (李福興) has presented a Winding-up Petition against the Company in relation to the non-payment of amount of HK\$209,246.58 as accrued interests at the rate of 6.5% per annum accrued thereon arising from the bonds issued by the Company in the principal amount of HK\$2,000,000. The hearing of the Winding-up Petition filed on 6 September 2023 as amended on 22 September 2023 has been adjourned to the first Monday callover after determination of the application for sanction in HCMP 1173/2024 to enable the Company to pursue the Scheme.

According to the Group's most recent unaudited interim financial results, as contained in its interim report for the six months ended 30 June 2024, as at 30 June 2024, the Group had consolidated net current liabilities and consolidated net liabilities of approximately RMB9.7 billion and RMB6.7 billion respectively, and the Group had continued to incur a net loss (before tax) of approximately RMB0.4 billion.

Insofar as the Company is concerned, its total liabilities and total current liabilities were approximately RMB9.2 billion and RMB9.2 billion respectively as at 30 June 2024. The Company's total assets and total current assets as at 30 June 2024, were approximately RMB2.4 billion and RMB1.4 billion respectively, showing that the Company was cashflow insolvent and balance-sheet insolvent.

As at the Latest Practicable Date, the Board believes that the most effective way to restore the financial position of the Company and to maximise the recovery to its creditors is to restructure the Company's indebtedness by way of the Scheme in exchange for the discharge and release of their respective Claims against the Company. Under and subject to the terms of the Scheme, once the Scheme becomes effective, the Scheme Claims will be discharged and extinguished in full on the Restructuring Effective Date; and the Scheme Creditors will not be allowed to make any claim against the Company in respect of their respective Scheme Claims. The Scheme shall not apply to Excluded Claims. Excluded Claims are not compromised under the Scheme and any person with an Excluded Claim cannot vote on the Scheme to the extent of their Excluded Claim.

The Scheme mainly comprises of debt restructuring and the allotment of the Scheme Shares (under Option A, as more particularly described below). The Court granted an order for convention of the Scheme Meeting, which was held by the Company on 25 February 2025, for the consideration and approval of the Scheme by the Scheme Creditors.

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 25 February 2025, the Scheme has been approved by the requisite majorities of Scheme Creditors.

As at 30 June 2024, the outstanding claims of the Scheme Creditors were expected to be HK\$690,000,000, which comprised of claims arising from two guarantee liabilities of the Company with estimated aggregate claims of HK\$355 million in relation to the Company's subsidiaries default borrowings guaranteed by the Company. Such guarantee claims of HK\$355 million were not recognised in the Company's statement of financial position as at 30 June 2024. Subsequently, based on the Scheme Claims admitted by the Scheme Administrators on the Scheme Meeting, the amount of claims of the Scheme Creditors were HK\$777.8 million, which comprised of the claims of the two said guarantee liabilities of the Company with estimated aggregate claims of HK\$442.4 million in relation to the Company's subsidiaries default borrowings guaranteed by the Company as at 31 December 2024. For the avoidance of doubt, the Scheme Claims are determined as at 31 December 2024.

As at 30 June 2024, the Group had current liabilities of approximately RMB11,943.2 million. The Scheme will restructure the offshore debt of HK\$690 million in the book of the Company. Out of the Company's total current liabilities of approximately RMB9.2 billion as at 30 June 2024, approximately RMB8.9 billion were amounts due to subsidiaries of the Company and will be waived by the relevant subsidiaries. Approximately RMB197.6 million were amount due to immediate holding company and approximately RMB95.6 million were corporate bonds which are both subject to the Admitted Claims. Following the implementation of the Scheme, the Company can discharge most of its liabilities (except for liabilities in relation to secured borrowings of RMB65,121,000 as well as trade and other payables of RMB1,278,000 as at 30 June 2024). The remaining current liabilities of the Group are to be repaid by the subsidiaries of the Company, through the operating cashflow from the Group's printing business and trading and logistics business as well as disposal or enforcement of pledged assets for the Group's property development segment.

II. SALIENT TERMS OF THE SCHEME

Under the proposed Scheme, the following two options, namely Option A and Option B, are available for each of the Scheme Creditors to elect:

A. Option A

1. *Repayment in cash*

If the Scheme Creditors elect the Option A, the maximum cash repayment amount will be HK\$62.1 million, which will be distributed with 5 designated instalments within the date falling on 60 months from the Restructuring Effective Date.

LETTER FROM THE BOARD

2. *Scheme Shares*

In addition to the cash recovery as stated above, if the Scheme Creditors elect the Option A, the Company will, within twelve (12) calendar months from the Restructuring Effective Date, allot the Scheme Shares to the respective Option A Creditor on pro-rata basis based on their respective amount of the Admitted Claims of the Option A Creditors under the Scheme. For the avoidance of doubt, apart from the cash repayment amount of HK\$62.1 million, in the event that the Maximum Amount is reached, Option A Creditors with an Admitted Claim are expected to receive 1 Scheme Share for approximately every HK\$19.4 of claims admitted. In addition to the allotment of Scheme Shares to the respective Scheme Creditors, as disclosed in paragraph 1 above, the additional cash repayment amount of HK\$62.1 million will be distributed to the Option A Creditors with 5 designated instalments within the date falling on 60 months from the Restructuring Effective Date.

In the event the Maximum Amount is not reached, the cash repayment amount and Scheme Shares will remain at HK\$62.1 million and 24.6 million respectively, and shall be shared on pro-rata basis for all the Admitted Claims under Option A.

The number of Scheme Shares to be issued by the Company under the Scheme will be 24,600,000. No fraction of Scheme Shares will be transferred, issued, allotted or sold. The number of the Scheme Shares will be rounded down to the nearest whole number, if required. The calculation by the Scheme Administrator, unless there is manifest error, will be binding and conclusive to all parties.

3. *Alteration of the terms and conditions of the repayment of the Option A Admitted Claim*

Apart from the allotment and issue of the Scheme Shares to the respective Option A Creditors, the terms and conditions of the repayment of the Option A Admitted Claim will be, with effect from the Restructuring Effective Date, modified as follows:

- (a) the interest rate will be reduced to zero; and
- (b) the maturity date for the repayment of the Option A Admitted Claim of such Option A Creditors will be deferred to the date falling on 60 months with 5 unequal instalments of HK\$62.1 million in aggregate for all Option A Creditors from the Restructuring Effective Date; such Option A Creditors will not be allowed to make any claim against the Company in respect of their respective Scheme Claims.

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The cash repayment amount of HK\$62.1 million and the issue of the 24,600,000 Scheme Shares were formulated by the Company with the assistance of its financial advisor after careful consideration and analysis on the expected cashflow generated from the Group's printing business and trading and logistics business in the next 5 years. It is expected that (i) with the gradual recovery in the economy of the PRC as well as the overseas market, and (ii) the Company steadily resuming of its regular operational activities which consequently generates cashflow from its operations, the Group will restore its ability to generate revenue as production escalates. In such circumstances, the Company expects to finance the cash repayment of HK\$62.1 million from the cashflow generated from its operations.

B. Arrangement for excess demand for Option A

If the demand for Option A exceeds the Maximum Amount, the Scheme Administrators will allocate the Maximum Amount to the Scheme Creditor who has elected Option A, proportionally on a pro rata basis. The amount exceeding the Maximum Amount will then be automatically assigned to Option B. No Scheme Creditors shall have any right to dispute on the result of the allocation. Then the number of Scheme Shares to be allotted to each Option A Creditor will be calculated on a pro rata basis, based on the amount of the Admitted Claims of the Option A Creditors.

Scheme Creditors who do not indicate their preference before the Claim Bar Date will have their entire holdings of Admitted Claims automatically allocated to Option A.

C. Option B

1. Discharge of certain portion of the Option B Admitted Claim

If the Scheme Creditors elect the Option B, upon the Scheme becoming effective, 30% of all the original Admitted Claims ("**Option B Discharged Amount**") of the Option B Creditors under the Scheme will be released and discharged and the Company does not have any obligation and/or duty to repay the Option B Discharged Amount to the Option B Creditors.

2. Alteration of the terms and conditions of the repayment of the Option B Admitted Claim

With effect from the Restructuring Effective Date, the balance of the Admitted Claims of the Option B Creditors will be reduced to 70% of all the original Admitted Claims of the Option B Creditors ("**Option B Remaining Principal**") under the Scheme.

LETTER FROM THE BOARD

- (a) The terms and conditions of the repayment of the Option B Remaining Principal will be, with effect from the Restructuring Effective Date, as follows:
- (i) The maturity date for the repayment of the Option B Remaining Principal of such Option B Creditors will be deferred to the date falling on the 96th calendar month (namely, the 8th anniversary) (the “**First Maturity Date**”) from the Restructuring Effective Date.
 - (ii) On or before the First Maturity Date, the Company has the right at its absolute discretion to further extend the maturity date for two years from time to time.
 - (iii) The Company has the right to redeem all or part of the Option B Remaining Principal at its option commencing from the First Maturity Date. If the Company elects to redeem, then the redemption will be at 70% of the Option B Remaining Principal (that is equivalent to 49% of the respective Admitted Claim) as full and final payment of all the Admitted Claims of the respective Option B Creditors under the Scheme. For the avoidance of doubt, the Company has the right at its absolute discretion to determine to redeem part or all of the Option B Remaining Principal, thus in turn reduce the Option B Remaining Principal of the respective Option B Creditors. The Company will have such right against each Option B Creditor so long as there is any outstanding Option B Remaining Principal of the respective Option B Creditors.
 - (iv) The interest rate for the Option B Remaining Principal for the respective period will be as follows:

Year from the Restructuring Effective Date	Interest rate per annum
Year 1 to Year 8	0.5%
Year 9 to Year 10	1.0%
Year 11 to Year 12	1.5%
Year 13 to Year 14	2.0%
	Hong Kong
	Interbank Offered
Year 15 and afterwards	Rate plus 2.0%

- (v) The interest may be paid in cash or paid in kind, at the election of the Company.

LETTER FROM THE BOARD

- (vi) with respect to any accrued and unpaid interest during the first ninety six months (8 years) period after the Restructuring Effective Date, the Company may elect by giving notice in writing to Scheme Creditors whom have elected Option B not less than 5 Business Days prior to the relevant interest payment date to pay all or a portion of such interest in paid-in-kind interest (such interest, “**PIK Interest**”) instead of cash interest. If the Company so elects, such PIK Interest shall accrue 0.5 percentage per annum during the first ninety six months period after the Restructuring Effective Date, or from the most recent interest payment date to which cash interest or PIK Interest has been paid or duly provided for less the percentage points paid in cash interest, payable on such interest payment date by increasing the principal amount of the Option B Remaining Principal amount of such PIK Interest accrued for such interest period.

D. Feedback from Scheme Creditors

At the Scheme Meeting convened and held by the Company on 25 February 2025, the Scheme was approved by the requisite statutory majority of the Scheme Creditors. For details, please refer to the announcement of the Company dated 25 February 2025.

As at the Latest Practicable Date, based on the latest feedback received from Scheme Creditors, the entire amount of Admitted Claims of HGL, being RMB197.6 million, has opted for Option B.

The deadline of election of option by the Scheme Creditors shall be the Claim Bar Date, which will be set as soon as practicable after the Restructuring Effective Date.

E. Consent Fee payable to the Committed Creditors

Apart from the choice of Option A or Option B, upon the Scheme becoming effective, subject to the respective Scheme Creditor(s) having:

- (a) duly executed the Restructuring Support Letter and the Company having received the original of the Restructuring Support Letter on or before the Consent Fee Deadline;
- (b) not breached any provision of the Restructuring Support Letter in any material respect, unless the failure to comply is capable of remedy and is remedied within three (3) Business Days of a notice by the Company to that respective Scheme Creditor;

LETTER FROM THE BOARD

such Committed Creditor would be entitled to receive the Consent Fee in an amount equal to 2.0% of the principal amount of their respective Admitted Claims under the Scheme held by the relevant Committed Creditor, subject to a cap of HK\$100,000 for each Scheme Creditor.

No interest will be accrued on or be payable with respect to any Consent Fee, and the Consent Fee shall, subject to the Scheme become effective, be paid to the Committed Creditor on or before 60 days after the Restructuring Effective Date.

F. Conditions precedent to the Scheme

The Scheme shall come into effect and be legally binding on the Company and the Scheme Creditors on the Restructuring Effective Date, which is a Business Day and which may only occur upon fulfilment of the following conditions (the “**Restructuring Conditions**”) which are not capable of being waived:

- (a) over 50% in number of the Scheme Creditors, representing at least 75% in value of the Scheme Creditors’ Claims, present and voting in person or by proxy at the Scheme Meeting, having voted in favour of the Scheme;
- (b) the Court sanctions the Scheme;
- (c) an office copy of the Sanction Order is delivered to the Registrar of Companies in Hong Kong for registration;
- (d) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve, the grant of the Specific Mandate;
- (e) the Listing Committee of the Stock Exchange have granted approval or approval in principle to the listing of and permission to deal in the Scheme Shares;
- (f) the settlement in full by the Company of all the fees, costs and expenses of all of the advisors and its counsel pursuant to the terms agreed between the Company and the relevant party and subject to any agreed caps; and
- (g) all subsidiaries of the Company waive the inter-company debts owed to them by the Company as at the Restructuring Effective Date.

As at the Latest Practicable Date, only condition (a) listed above have been fulfilled.

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G. Effect of the Scheme

Once the Scheme becomes effective, the Claims of the Scheme Creditors which arose on or before the Voting Deadline will be discharged and extinguished in full on the Restructuring Effective Date; and the Scheme Creditors will not be allowed to make any claim against the Company in respect of their respective Claims.

III. DETAILS OF THE PROPOSED ISSUE OF SCHEME SHARES UNDER THE SCHEME

A. Number of the Scheme Shares

The number of the Scheme Shares to be allotted and issued by the Company to Option A Creditors under the Scheme will be 24,600,000 new Shares and representing (i) approximately 40.0% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 28.6% of the total issued share capital of the Company as of the Restructuring Effective Date on a fully-diluted basis, assuming the maximum number of Scheme Shares have been issued and allotted.

The allotment and issue of the Scheme Shares to persons other than Connected person is subject to the Specific Mandate to be approved by way of ordinary resolution(s) by the Shareholders at the SGM. It is expected that no Connected person will opt for Option A and accordingly no Scheme Shares will be allotted to any Connected person of the Company.

B. Issue price for each of the Scheme Share

The issue price for each of the Scheme Share is HK\$1.00. The Scheme Share Issue Price of HK\$1.00 was determined with reference to the prevailing market price of the Shares in December 2023 to January 2024 when the preliminary terms of the Scheme were designed and represents:

- (a) a premium of approximately 44.9% over the closing price of HK\$0.69 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 44.9% over the average closing price of HK\$0.69 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (c) a premium of approximately 41.6% over the average closing price of HK\$0.706 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (d) the Group's audited net deficiency of assets value of approximately HK\$-110.4 per Share based on the audited consolidated net deficiency of assets value attributable to Shareholders of approximately RMB6,350,809,000 (equivalent to approximately HK\$6,820,006,000) as at 31 December 2023 and the 61,543,075 Shares in issue as at the date of the Announcement;
- (e) the Group's unaudited net deficiency of assets value of approximately HK\$-117.9 per Share based on the unaudited consolidated net deficiency of assets value attributable to Shareholders of approximately RMB6,759,944,000 equivalent to approximately HK\$7,258,828,000) as at 30 June 2024 and the 61,543,075 Shares in issue as at the date of the Announcement;
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a premium of approximately 13%, which is calculated based on the theoretical diluted price of approximately HK\$0.78 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day of HK\$0.69 per Share; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day approximately HK\$0.69 per Share). The Scheme Shares Issue Price was determined with reference to in December 2023 to January 2024 when the preliminary terms of the Scheme were designed. Since the number of Scheme Shares to be issued under the Scheme has been fixed (subject to the adjustment to be made after the receipt of the notice of claim for scheme consideration from the Scheme Creditors), there will be no further dilution effect on the Company as disclosed above.

The Scheme Shares will be issued in the form of physical share certificates by the Company, in the name of the relevant Option A Creditors, and subject to the Option A Creditors have provided the relevant information and execute the application for shares, the Company shall pass all physical share certificates to the Scheme Administrators within twenty (20) Business Days after the written request made by the Scheme Administrators (or some other date as may be agreed in writing between the Company and the Scheme Administrators). The Scheme Administrator will post all physical share certificates allotted and issued to the Option A Creditors at their risks as soon as practicable.

C. Ranking of the Scheme Shares

Scheme Shares, when issued, shall rank *pari passu* in all respects with all other existing Shares in issue at the date of allotment free from Encumbrance.

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D. Application for listing of the Scheme Shares

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Scheme Shares. The Scheme Shares, when issued, will rank *pari passu* in all respects with the existing Shares in issue.

IV. REASONS FOR THE ISSUE OF SCHEME SHARES UNDER THE SPECIFIC MANDATE

The Company intends to implement the Scheme to ensure the long-term viability of the Company, while at the same time maximising returns for all the stakeholders of the Company and the Group (including their creditors). The Board is of the view that the objectives of the Scheme would be to: (a) provide for a reasonable settlement plan for creditors who have unsecured claims against the Company that would allow such unsecured creditors a higher recovery than any recovery possible in a group-wide liquidation scenario, (b) allow the Company to settle its indebtedness by issue of Scheme Share without immediate cash outflow; and (c) allow the Company to continue to operate as a viable going concern.

Upon the implementation of the Scheme, the liabilities of the Company will be compromised, which will improve the financial position of the Company and allow the Company to operate as a going concern, and in turn provides a greater benefit to the Shareholders comparing to the liquidation scenario.

If the Scheme were to fail, then the most likely outcome is that the Company would be wound up in an insolvency procedure. In such situation, there is a high likelihood that Shareholders would receive no return.

The issuance of Scheme Shares under the Specific Mandate constitutes one of the Conditions Precedent for the Scheme. The Board believes that issuing the Scheme Shares will enable the Company to settle its indebtedness without incurring a cash outflow. By approving the Scheme, the Board reasonably believe that the financial position of the Company will improve, and that the Shareholders will be in a better position than in the insolvent liquidation of the Company. As the Scheme Shares would have to be issued in order to implement the Scheme. Taking into account of the above, the Board is of the view that the terms of the Scheme (including the issue of the Scheme Share) is reasonable and the implementation of the Scheme is beneficial to the Company, its creditors and Shareholders. The Scheme Shares have to be issued in order to implement the Scheme so the Board is of the view that the issue of the Scheme Share is reasonable and beneficial to the Company, its creditors and Shareholders as a whole.

Subject to the hearing at which the Court will determine the Company's application to sanction the Scheme on 3 April 2025, the Company will take necessary steps to seek the dismissal of the Winding-up Petition and the Company is of the view that the Winding-up Petition is expected to be dismissed in due course upon the Scheme being sanctioned.

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V. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no change in the number of Shares in issue from the Latest Practicable Date up to and including the date of completion of the issue of the Scheme Shares, the table below set out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the issue of the Scheme Shares (assuming the maximum number of Scheme Shares have been allotted and issued):

	(i) as at the Latest Practicable Date		(ii) immediately after completion of the issue of the Scheme Shares (assuming the maximum number of Scheme Shares have been allotted and issued)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares (including the Scheme Shares)</i>	<i>Approximate %</i>
HGL	44,450,619	72.20%	44,450,619	51.60%
Mr. Meng	<u>868,520</u>	<u>1.40%</u>	<u>868,520</u>	<u>1.00%</u>
Sub Total	45,319,139	73.60%	45,319,139	52.60%
Option A Creditor(s) (not being Shareholders as at the Latest Practicable Date)	–	–	24,600,000	28.60%
Public	<u>16,223,936</u>	<u>26.40%</u>	<u>16,223,936</u>	<u>18.80%</u>
Total	<u><u>61,543,075</u></u>	<u><u>100%</u></u>	<u><u>86,143,075</u></u>	<u><u>100%</u></u>

Note: Shareholders and public investors should note that the above shareholding structure are for illustration purposes only and the actual changes in the shareholding structure of the Company upon the Scheme becoming effective and issuance of the Scheme Shares is subject to the actual number of Admitted Claims made by the Scheme Creditors.

LETTER FROM THE BOARD

To the best of the Directors' knowledge and belief having made all reasonable enquires, (i) all the Option A Creditors are Independent Third Parties of the Company, and (ii) the Company will remain in compliance with the minimum public float requirement under the Listing Rules upon completion of the issue of the Scheme Shares. In the event that the public float falls below the minimum requirement prescribed under the Listing Rules, the Company will take necessary measures to re-comply with such requirement.

VI. FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any equity fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of the Announcement.

VII. INFORMATION ON THE PARTIES

As at the Latest Practicable Date, the principal activities of the Group are: (i) printing; and (ii) trading and logistics.

HGL, which was 100% beneficially owned by Mr. Meng, a controlling Shareholder (as defined under the Listing Rules), substantial shareholder, is also a Scheme Creditor. Accordingly, HGL is a Connected person of the Company. Apart from that, as at the Latest Practicable Date, HGL is an unsecured creditor of the Company as HGL has provided the Shareholder's Loan, which is unsecured and non-interest bearing, to the Company.

Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all other Scheme Creditors and their respective ultimate beneficial owners are Independent Third Parties and no Scheme Creditors are Shareholders

VIII. LISTING RULES IMPLICATIONS

It is anticipated that HGL will opt for Option B. Upon the Scheme becoming effective, 30% of the Shareholder's Loan ("**HGL Discharged Amount**"), being approximately of RMB59.28 million (or HK\$63.66 million) will be released and discharged and the Company does not have any obligation and/or duty to repay the said portion of the Shareholder's Loan to HGL.

By virtue of HGL being a Connected person of the Company, the discharge of the HGL Discharged Amount will constitute financial assistance received by the Company from a Connected person and therefore constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the financial assistance by way of the discharge of the HGL Discharged Amount is:

- (a) conducted on normal commercial terms or better; and
- (b) not be secured by the assets of the Group,

LETTER FROM THE BOARD

it is fully exempt connected transaction pursuant to Rule 14A.90 of the Listing Rules.

Although HGL is a Scheme Creditor, HGL has indicated it will elect Option B and accordingly no Scheme Share will be allotted and issued to HGL pursuant to the Specific Mandate to be obtained upon approval by the Shareholders at the SGM. Accordingly, HGL is not interested in the issue of the Scheme Shares and the issue of Scheme Shares would not constitute a connected transaction under Chapter 14A of the Listing Rules.

IX. GENERAL

The SGM will be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Specific Mandate and the respective transactions contemplated thereunder. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution(s) will be taken by way of poll at the SGM.

For reasons stated in the section headed “LISTING RULES IMPLICATIONS” of this Letter from the Board, save for HGL being one of the Scheme Creditors and its close associates, the Board believes no Shareholders, their respective Associates or parties acting in concert with any of them will be required to abstain from voting on any resolution(s) to be proposed at the SGM.

X. SGM

A notice convening the SGM is set out on pages 24 to 26 of this circular. For the purpose of compliance with Rule 13.39(4) of the Listing Rules, the Company will procure the chairman of the SGM to demand for a poll for the ordinary resolutions put to the vote at the SGM in accordance with the Bye-laws. Each Shareholder who has the right to attend and vote at the SGM is entitled to appoint one or more proxies, whether they are Shareholders or not, to attend and vote at the SGM on his behalf. For the avoidance of doubt, holders of treasury Shares (if any) are not entitled to vote at the SGM. An announcement on the poll results will be published by the Company after the SGM in the manner prescribed under the Listing Rules.

A form of proxy for the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are advised to complete the form of proxy and return it to the Company’s branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the SGM. The completion and delivery of a form of proxy will not preclude you from attending and voting at the meeting in person.

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Company acknowledges that HGL is one of the Scheme Creditors and its close associates shall be required to abstain from voting at the SGM.

LETTER FROM THE BOARD

Save as disclosed above, none of the Shareholders, their respective Associates or parties acting in concert with any of them is interested in the Scheme will be required to abstain from voting on any resolution(s) to be proposed at the SGM.

XI. RECOMMENDATION

The Directors consider that the proposed resolution referred in this circular and the SGM Notice are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions set out in the SGM Notice.

XII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

WARNING

The Scheme will involve issuance of Scheme Shares and the details of the terms thereof are subject to the approval by the Stock Exchange and the Shareholders. The proposed transactions contemplated under the Scheme of Arrangement may or may not be fulfilled and are subject to conditions precedent of the Scheme of Arrangement, approval by the Shareholders, regulators and the High Court. Shareholders and potential investors are advised to exercise caution when dealing in securities of the Company.

Yours faithfully,

On behalf of the Board

Yan Ruijie

Chairman, Chief Executive Officer and Executive Director

NOTICE OF SPECIAL GENERAL MEETING



CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

NOTICE IS HEREBY GIVEN that a special general meeting of China Huajun Group Limited (the “**Company**”) will be held at 18th Floor, Nine Queen’s Road Central, Hong Kong on Monday, 24 March 2025 at 10:00 a.m. (Hong Kong time) to consider and, if thought fit, to pass with or without amendments, the following resolution as ordinary resolution of the Company.

Unless otherwise specified, capitalized terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 10 March 2025 (the “**Circular**”).

ORDINARY RESOLUTION

“THAT:

- (a) the grant of the Specific Mandate to the Directors to issue the Scheme Shares to the respective Scheme Creditor pursuant to the Scheme be and is hereby approved, confirmed and ratified. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and
- (b) any one of the Directors of the Company be and is hereby authorised generally to take all necessary steps and to do all such acts and things and sign and execute all such documents (including the affixation of the common seal of the Company where execution under seal is required) which the Directors may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the issue and allotment of the Scheme Shares under the Specific Mandate and to agree with such variation(s), amendment(s) or waiver(s) as, in the opinion of the Directors of the Company, is/are in the interests of the Company and its shareholders as a whole.”

By Order of the Board

Yan Ruijie

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 10 March 2025

NOTICE OF SPECIAL GENERAL MEETING

Head Office and Principal Place of Business in Hong Kong:

Suites 2404-2405,
24th Floor, Alliance Building
130-136 Connaught Road Central
Sheung Wan
Hong Kong

Notes:

1. In order to determine the entitlement to attend and vote at the special general meeting, the register of members of the Company will be closed from 19 March 2025 to 24 March 2025, both days inclusive, during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on 19 March 2025 shall be entitled to attend and vote at the SGM. In order to ascertain shareholders' rights for attending and voting at the special general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on 18 March 2025.
2. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
3. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete, sign and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the aforesaid meeting or any adjournment thereof should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. To be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
6. In the case of joint holders of shares, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of such joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
7. The voting on the proposed resolution at the SGM will be conducted by way of poll.

NOTICE OF SPECIAL GENERAL MEETING

8. Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
9. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
10. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she is solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
11. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning signal or “extreme conditions after super typhoons” announced by the Hong Kong government is/are in effect any time after 7:00 a.m. on the date of the special general meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at <http://www.chinahuaajungroup.com> and on the HKExnews website of the Stock Exchange at <http://www.hkexnews.hk> to notify Shareholders of the date, time and venue of the rescheduled meeting.
12. For the avoidance of doubt, holders of treasury shares of the Company (if any) are not entitled to vote at the special general meeting.