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## **HUAJUN HOLDINGS LIMITED**

**華君控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

### **DISCLOSEABLE AND CONNECTED TRANSACTIONS**

#### **PROPOSED DISPOSALS OF EQUITY INTERESTS IN LIAONING YINZHU CHEMTEX GROUP CO. LIMITED AND ZHEJIANG LINHAI MACHINERY LIMITED**

##### **THE DISPOSALS**

The Board is pleased to announce that on 23 May 2017 (after trading hours of the Stock Exchange), (a) the LYC Vendor, an indirect wholly-owned subsidiary of the Company, entered into the LYC Equity Transfer Agreement with the Purchaser, a direct wholly-owned subsidiary of Huajun Group, pursuant to which the LYC Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 49% equity interests in LYC for a consideration of RMB75,000,000 (equivalent to approximately HK\$82,500,000); and (b) the ZLM Vendor, an indirect wholly-owned subsidiary of the Company, entered into the ZLM Equity Transfer Agreement with the Purchaser, a direct wholly-owned subsidiary of Huajun Group, pursuant to which the ZLM Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests in ZLM for a consideration of RMB190,000,000 (equivalent to approximately HK\$209,000,000).

Each of the Equity Transfer Agreements is subject to a number of conditions precedent which include, without limitation, the approval by the Independent Shareholders. Completion of each of the Equity Transfer Agreements is subject to the conditions precedents having been fulfilled and is expected to take place no later than 31 August 2017.

## **IMPLICATIONS UNDER LISTING RULES**

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the date of this announcement, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Therefore, each of the Disposals constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the Disposals exceed 5% and the consideration is more than HK\$10,000,000, each of the Disposals constitutes a non-exempt connected transaction for the Company and is subject to reporting, announcement, circular (including the advices from the Independent Financial Adviser and the Independent Board Committee) and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Mr. Meng and his associates are required to abstain from voting on the resolution(s) in respect of the Disposals at the SGM.

Furthermore, as the relevant applicable ratios for the Disposals are more than 5 % but less than 25%, the Disposals constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors will be established to consider the terms of the Equity Transfer Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Disposals are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The SGM will be convened, during which ordinary resolutions will be proposed to the Independent Shareholders to consider and if appropriate, approve the Equity Transfer Agreements and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the SGM will be taken by poll.

For the purpose of seeking the approval of the Independent Shareholders, a circular containing, among others, (i) details of the transactions contemplated under the Equity Transfer Agreements; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to advise on the terms of the Equity Transfer Agreements; (iv) a notice to convene the SGM; and (v) a form of proxy will be despatched to the Shareholders as soon as practicable, but in any event not later than 31 August 2017 as additional time is required for the preparation of the relevant information for inclusion in the circular.

**Completion is subject to the fulfillment of the conditions precedent set out in each of the Equity Transfer Agreements 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 DISPOSALS**

The Board is pleased to announce that on 23 May 2017 (after trading hours of the Stock Exchange), (a) the LYC Vendor, an indirect wholly-owned subsidiary of the Company, entered into the LYC Equity Transfer Agreement with the Purchaser, a direct wholly-owned subsidiary of Huajun Group, pursuant to which the LYC Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 49% equity interests in LYC for a consideration of RMB75,000,000 (equivalent to approximately HK\$82,500,000); and (b) the ZLM Vendor, an indirect wholly-owned subsidiary of the Company, entered into the ZLM Equity Transfer Agreement with the Purchaser, a direct wholly-owned subsidiary of Huajun Group, pursuant to which the ZLM Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests in ZLM for a consideration of RMB190,000,000 (equivalent to approximately HK\$209,000,000).

## EQUITY TRANSFER AGREEMENTS

### (A) LYC Equity Transfer Agreement

The following sets forth the principal terms of the LYC Equity Transfer Agreement:

**Date** : 23 May 2017

**Parties** : 遼寧華君裝備製造有限公司 (Liaoning Huajun Equipment Manufacturing Limited), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Huajun Group, as purchaser.

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the date of this announcement, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

華君工業裝備(營口)有限公司 (Huajun Industrial Equipment (Yingkou) Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, as vendor.

**Target company** : 遼寧銀珠化紡集團有限公司 (Liaoning Yinzhu Chemtex Group Co. Limited), a company established in the PRC with limited liability.

**Sale shares** : 49% equity interests in 遼寧銀珠化紡集團有限公司 (Liaoning Yinzhu Chemtex Group Co. Limited)

**Consideration** : The consideration of RMB75,000,000 was determined by the parties with references to the (i) original acquisition cost of LYC incurred by the Group which amounted to RMB70,000,000 (equivalent to approximately HK\$77,000,000); and (ii) the unaudited net assets value of LYC of RMB149,880,000 (equivalent to approximately HK\$164,868,000) as at 31 March 2017. The consideration will be paid by the Purchaser in cash within 10 business days after the subject equity interests are registered in the name of the Purchaser and fulfillment of conditions precedent.

**Conditions** : The conditions precedents to the completion of the LYC Equity Transfer Agreement include the following:

- (a) the passing by the Independent Shareholders at the SGM of ordinary resolutions by way of poll approving the LYC Equity Transfer Agreement and transactions contemplated thereunder;
- (b) the LYC Vendor is the legal and beneficial owner of 49% equity interests in LYC and that such interests are free from any encumbrances or third party rights;
- (c) there shall not be any material adverse change in the businesses, assets, properties, financial status, operations or prospects of LYC Group prior to completion;
- (d) the LYC Vendor having obtained all necessary consents, authorisations and approvals for entering into the LYC Equity Transfer Agreement and carrying out the transactions contemplated thereunder;
- (e) the declarations, warranties and undertakings given by the LYC Vendor are true and accurate in all material respects.

**Completion** : Completion is subject to the conditions precedents having been fulfilled and is expected to take place no later than 31 August 2017 (or such later date as may be agreed by the parties).

## (B) ZLM Equity Transfer Agreement

The following sets forth the principal terms of the ZLM Equity Transfer Agreement:

**Date** : 23 May 2017

**Parties** : 遼寧華君裝備製造有限公司 (Liaoning Huajun Equipment Manufacturing Limited), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Huajun Group, as purchaser.

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the date of this announcement, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

Huajun Industrial Equipment Group Limited (華君工業裝備集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as vendor.

**Target company** : 浙江臨海機械有限公司 (Zhejiang Linhai Machinery Limited), a company established in the PRC with limited liability.

**Sale shares** : 100% equity interests in 浙江臨海機械有限公司 (Zhejiang Linhai Machinery Limited)

**Consideration** : The consideration of RMB190,000,000 was determined by the parties with references to the (i) original acquisition cost of ZLM incurred by the Group which amounted to RMB187,523,000 (equivalent to approximately HK\$206,275,000); and (ii) the unaudited net assets value of ZLM of RMB76,663,000 (equivalent to approximately HK\$84,329,000) as at 31 March 2017. The consideration will be paid by the Purchaser in cash within 10 business days after the subject equity interests are registered in the name of the Purchaser and fulfillment of conditions precedent.

- Conditions** : The conditions precedents to the completion of ZLM Equity Transfer Agreement include the following:
- (a) the passing by the Independent Shareholders at the SGM of ordinary resolutions by way of poll approving the ZLM Equity Transfer Agreement and the transactions contemplated thereunder;
  - (b) the ZLM Vendor is the legal and beneficial owner of the entire equity interests in ZLM and that such interests are free from any encumbrances or third party rights;
  - (c) there shall not be any material adverse change in the businesses, assets, properties, financial status, operations or prospects of ZLM prior to completion;
  - (d) the ZLM Vendor having obtained all necessary consents, authorisations and approvals for entering into the ZLM Equity Transfer Agreement and carrying out the transactions contemplated thereunder;
  - (e) the declarations, warranties and undertakings given by the ZLM Vendor are true and accurate in all material respects.

**Completion** : Completion is subject to the conditions precedent having been fulfilled and is expected to take place no later than 31 August 2017. (or such later date as may be agreed by the parties).

## **INFORMATION ON THE 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) finance lease; (iv) provision of finance; (v) property development and investments; (vi) securities investments; (vii) medical management; (viii) manufacturing and sales of industrial equipment; and (ix) manufacturing and sales of photovoltaic products.

## **INFORMATION ON THE PURCHASER**

As at the date of this announcement, the Purchaser is a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Huajun Group, which in turn is owned as to 97.5% by Mr. Meng and 2.5% by Madam Bao. The principal activities of the Purchaser are sales of industrial products.

## **INFORMATION ON THE TARGET COMPANIES**

### **(a) LYC**

LYC is a company established in the PRC with limited liability which is owned as to 49% by the Company.

As at the date of this announcement, LYC directly owns 98% equity interests in 遼寧春成銀珠熱電有限公司 (Liaoning Chun Cheng Yin Zhu Re Dian Company Limited) and 95% equity interests in 營口銀珠煤炭經銷有限公司 (Yingkou Yin Zhu Mei Tan Jin Xiao Company Limited), both of which are companies established in the PRC with limited liability. The principal activities of LYC Group are manufacturing and trading of nylon textile fibers, supply of thermal electricity and distribution of coal in the PRC. As at the date of this announcement, LYC is owned as to 49% by the Company through the LYC Vendor. Upon completion of the LYC Equity Transfer Agreement, the Company will cease to have any interest in LYC Group.

### **(b) ZLM**

ZLM is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

The principal activities of ZLM are the production and sale of turbines, transformers, torque correctors and related products. As at the date of this announcement, ZLM is an indirect wholly-owned subsidiary of the Company through the ZLM Vendor. Upon completion of the ZLM Equity Transfer Agreement, ZLM will become an indirect wholly-owned subsidiary of Huajun Group through the Purchaser and ZLM will cease to be an indirect wholly-owned subsidiary of the Company.



## FINANCIAL INFORMATION OF THE TARGET COMPANIES

The unaudited combined financial information of LYC Group prepared under PRC GAAP for the two years ended 31 December 2016, summarised as follows (for illustration purposes only):

	<b>For the year ended 31 December 2015 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2016 (RMB'000) (unaudited)</b>
Net profit before taxation	842	6,358
Net profit after taxation	842	6,358
Net assets	143,342	149,700

The audited financial information of ZLM prepared under PRC GAAP for the two years ended 31 December 2016, summarised as follows (for illustration purposes only):

	<b>For the year ended 31 December 2015 (RMB' 000)</b>	<b>For the year ended 31 December 2016 (RMB' 000)</b>
Net loss before taxation	6,814	7,073
Net loss after taxation	6,814	7,073
Net assets	85,953	78,880

## **FINANCIAL IMPACT OF THE DISPOSALS ON THE GROUP**

It is expected that the Group will recognise a gain in its consolidated income statement of approximately HK\$18,100,000 arising from the Disposals, which is calculated as the excess of the considerations under the Equity Transfer Agreements over the unaudited aggregate carrying value of the Group's interests in LYC Group and the adjusted net assets value of ZLM based on the management accounts of ZLM as at 31 March 2017 of approximately HK\$273,400,000. The actual amount of gain arising from the Disposals to be recognised by the Group will be subject to final audit by the Company's auditors.

The Directors expect that the net proceeds of approximately HK\$291,000,000 from the Disposals after deducting the expenses directly attributable thereto will be used for financing other future potential investment opportunities and/or general working capital of the Group.

## **REASONS AND BENEFITS FOR THE DISPOSALS**

The Board considers that the disposal of LYC, which is a non-core business of the Group, will enhance the Group's focus on other business segments with faster return while the disposal of ZLM can reduce the Group's loss-making exposure in the segment of manufacturing and sales of industrial equipment.

The Directors are of the view the Disposals will improve the liquidity and overall financial position of the Group.

Accordingly, the Board (excluding Mr. Meng and the independent non-executive Directors whose opinion will be subject to the advice of the Independent Financial Adviser) is of the view that each of the Disposals (including the consideration) is fair and reasonable and on normal commercial terms and that the entering into of each of the Equity Transfer Agreements is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the date of this announcement, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Therefore, each of the Disposals constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the Disposals exceed 5% and the consideration is more than HK\$10,000,000, each of the Disposals constitutes a non-exempt connected transaction for the Company and is subject to reporting, announcement, circular (including the advices from the Independent Financial Adviser and the Independent Board Committee) and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Mr. Meng and his associates are required to abstain from voting on the resolution(s) in respect of the Disposals at the SGM.

Furthermore, as the relevant applicable ratios for the Disposals are more than 5% but less than 25%, the Disposals constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors will be established to consider the terms of the Equity Transfer Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Disposals are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The SGM will be convened, during which ordinary resolutions will be proposed to the Independent Shareholders to consider and if appropriate, approve the Equity Transfer Agreements and the transactions contemplated thereunder. Any vote of the Independent Shareholders at the SGM will be taken by poll.

For the purpose of seeking the approval of the Independent Shareholders, a circular containing, inter alia, (i) details of the transactions contemplated under the Equity Transfer Agreements; (ii) a letter from the Independent Board Committee; (iii) a letter of advice from the Independent Financial Adviser to advise on the terms of the Equity Transfer Agreements; (iv) a notice to convene the SGM; and (v) a form of proxy will be despatched to the Shareholders as soon as practicable, but in any event not later than 30 June 2017 as additional time is required for the preparation of the relevant information for inclusion in the circular.

**Completion is subject to the fulfillment of the conditions precedent set out in each of the Equity Transfer Agreements and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## TERMS USED IN THIS ANNOUNCEMENT

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

“associate(s)”, “connected person(s)” and “controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Huajun Holdings Limited (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
“Director(s)”	the director(s) of the Company
“Disposals”	the disposal of 49% equity interests in LYC pursuant to the LYC Equity Transfer Agreement and the disposal of the entire equity interests in ZLM pursuant to the ZLM Equity Transfer Agreement
“Equity Transfer Agreements”	LYC Equity Transfer Agreement and ZLM Equity Transfer Agreement
“Group”	the Company and its subsidiaries
“Huajun Group”	Huajun Holdings Group Limited (華君控股集團有限公司), a company incorporated in the PRC, a substantial shareholder of the Company, which was indirectly owned by Mr. Meng as to 97.5% and Madam Bao as to 2.5% respectively
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	a committee of the Board to be established with all independent non-executive Directors, namely, Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping, as members
“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee in respect of the Equity Transfer Agreements
“Independent Shareholders”	the Shareholders other than Mr. Meng, Madam Bao and those who are otherwise interested or involved in the Equity Transfer Agreements and the transactions contemplated thereunder and therefore are required to abstain from voting on the resolutions in approving the Equity Transfer Agreements and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LYC”	遼寧銀珠化紡集團有限公司 (Liaoning Yinzhu Chemtex Group Co. Limited), a company established in the PRC with limited liability
“LYC Equity Transfer Agreement”	equity transfer agreement dated 23 May 2017 and entered into between the LYC Vendor and the Purchaser, pursuant to which the LYC Vendor has agreed to sell, and the Purchaser has agreed to purchase, 49% equity interests in LYC for a consideration of RMB75,000,000
“LYC Group”	LYC and its subsidiaries including 遼寧春成銀珠熱電有限公司 (Liaoning Chun Cheng Yin Zhu Re Dian Company Limited) and 營口銀珠煤炭經銷有限公司 (Yingkou Yin Zhu Mei Tan Jin Xiao Company Limited), both of which are companies established in the PRC with limited liability

“LYC Vendor”	華君工業裝備(營口)有限公司 (Huajun Industrial Equipment (Yingkou) Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Madam Bao”	Madam Bao Le (鮑樂), the spouse of Mr. Meng, who indirectly owns 2.5% of the issued share capital of Huajun Group
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder of the Company, who indirectly owns 97.5% of the issued share capital of Huajun Group
“PRC”	the People’s Republic of China but for the purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC, and Taiwan
“PRC GAAP”	Generally Accepted Accounting Principles adopted in the PRC
“Purchaser”	Liaoning Huajun Equipment Manufacturing Limited (遼寧華君裝備製造有限公司), a company incorporated in the PRC with limited liability and a direct wholly-owned subsidiary of Huajun Group
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“SGM”	special general meeting to be convened by the Company for consideration and if appropriate, approval of the Equity Transfer Agreements and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the meaning ascribed thereto under the Listing Rules
“ZLM”	浙江臨海機械有限公司 (Zhejiang Linhai Machinery Limited), a company established in the PRC with limited liability

“ZLM Equity Transfer Agreement”	equity transfer agreement dated 23 May 2017 and entered into between the ZLM Vendor and the Purchaser, pursuant to which the ZLM Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interests in ZLM for a consideration of RMB190,000,000
“ZLM Vendor”	Huajun Industrial Equipment Group Limited (華君工業裝備集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.

By order of the Board  
**Huajun Holdings Limited**  
**WU Jiwei**  
*Executive Director and Chief Executive Officer*

Hong Kong, 23 May 2017

*For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.1. 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 (Chairman), Mr. Wu Jiwei (Chief Executive Officer) and Mr. Guo Song (Deputy Chief Executive Officer) 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*