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HUAJUN INTERNATIONAL GROUP LIMITED

華君國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF 100% EQUITY INTERESTS IN AND DEBT DUE BY HUAJUN INTELLIGENT ENERGY COMPANY LIMITED

THE DISPOSAL

The Board is pleased to announce that on 29 July 2020 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and Sale Loan for a total consideration of RMB 120,000,000, comprising of RMB Zero being the consideration for Sale Shares and RMB 120,000,000 being the consideration for the Sale Loan.

Completion shall take place after the completion of change of business registration.

Immediately before Completion, the Target Company is wholly owned by the Vendor. Upon Completion, the Company will cease to own any interests in the Target Company and the Target Company will cease to be a subsidiary of the Company.

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 Disposal exceed 5% but fall below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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The Board is pleased to announce that on 29 July 2020 (after trading hours), the Vendor, an direct wholly-owned subsidiary of the Company, entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Sale Shares and the Sale Loan for a total consideration of RMB120,000,000, comprising of RMB Zero for the Sale Shares and RMB120,000,000 for the Sale Loan.

THE AGREEMENT

Principal terms of the Agreement are set out as follows :

Date : 29 July 2020

Parties : Vendors : Huajun Power Group Co., Ltd.* (華君電力集團有限公司)

Purchaser : Changzhou Zhuoxin Real Estate Co., Ltd.* (常州卓信置業有限公司)

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be disposed

Sale Shares

The Sale Interests represent 100% equity interests of the Target Company. For further details of the Target Company, please refer to the section under the headline "INFORMATION OF THE TARGET COMPANY".

Sale Loan

The Sale Loan which is an aggregate amount of RMB120,000,000 owed by the Target Company to the Vender before Completion.

Save as the Sale Loan and prior to the Completion, any liability of the Target Company that is incidental to the Target Property will be borne by the Target Company and the Purchaser while the others, if any, will be borne by the Vendor.

Consideration

The Consideration is RMB120,000,000, being an aggregate amount owed by the Target Company to the Vendor. Pursuant to the Agreement, the Purchaser will pay the Consideration under the following terms:

- (i) RMB20,000,000 is payable to the Vendor immediately upon the signing of the Agreement;
- (ii) RMB20,000,000 will be paid on the date upon the completion of change of business registration; and
- (iii) RMB80,000,000 will be paid within two months after the date of completion of change of business registration.

The Consideration is determined after arm's length negotiation between the Company and the Purchaser with reference to (i) the paid-up capital of Target Company of RMB zero; and (ii) the amount of Sale Loan.

The Board considers that the Consideration is fair and reasonable and on normal commercial terms.

Completion

Completion shall take place after the completion of change of business registration.

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.

INFORMATION OF THE VENDOR

The Vendor is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. The principal activity of the Purchaser is power supply, photovoltaic power generation and related equipment and technology.

INFORMATION OF THE PURCHASER

As advised by the Purchaser, the Purchaser is a company established in the PRC with limited liability on 18 October 2019 and its principal business is, among other thing, real estate development and sales, management and leasing.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability on 30 October 2017 and its principal business is, among other things, electric power technology, new energy technology, solar power plant system technology and related equipment and management. As at the date of this announcement, the Target Company is wholly owned by the Vendor. The Target Company currently owns the Target Property, which is an office complex under construction situate at Southeast corner of the intersection of Zhihui Road and Yanxin Road, Huishan District, Wuxi, the PRC the total land area of approximately 16,637 sq.m. and the total building area of approximately 66,702 sq.m.

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 five months ended 31 May 2020, as extracted from its unaudited management accounts of the Target Company (for illustration purposes only):

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the five months ended 31 May 2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(unaudited)	(unaudited)	(unaudited)
Net loss for the year before taxation	14,927	13,567	4,169
Net loss for the year after taxation	14,927	13,567	4,169

The unaudited net liabilities and total assets of the Target Company as at 31 May 2020 were approximately RMB32.7 million and approximately RMB129.6 million, respectively.

FINANCIAL IMPACT OF THE DISPOSAL ON THE GROUP

Immediately following Completion, the Company will cease to own any interests in the Target Company and the Target Company will cease to be a subsidiary of the Company, accordingly, the Target Company's financial results, assets, liabilities and cash flows will no longer be consolidated into the Company's consolidated financial statements.

It is expected that the Group will recognise a gain in its consolidated income statement of approximately RMB12.6 million arising from the Disposal, which is calculated by reference to the carrying value of the Sale Shares and Sale Loan in the Company's unaudited consolidated financial information and the Consideration. The actual amount of gain arising from the Disposal to be recognised by the Group will be subject to final audit by the Company's auditors.

The Company intends to use the proceeds generated from the Disposal to supplement the general working capital of the Company.

REASONS AND BENEFITS OF THE DISPOSAL

The Board considers that the Disposal will enhance the Group's focus on other core business segments with faster return. The Directors are of the view that the Disposal will improve the liquidity and overall financial position of the Group.

Accordingly, the Board is of the view that the Disposal is fair and reasonable and on normal commercial terms and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole.

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 Disposal exceed 5% but fall below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Agreement”	the sales and purchase agreement dated 29 July 2020 entered into between the Vendor and the Purchaser in respect of the Disposal
“Board”	the board of Directors
“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”	the completion of the Disposal pursuant to the terms and conditions of the Agreement
“Consideration”	RMB120,000,000 being the total consideration payable by the Purchaser to the Vendor for the disposal of the Sale Shares and the Sale Loan
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of Sale Shares and Sale Loan by the Vendor to the Purchaser as contemplated under the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules), and the term “Independent Third Party” shall be construed accordingly

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Changzhou Zhuoxin Real Estate Co., Ltd. * (常州卓信置業有限公司), a company established in the PRC with limited liability and the Independent Third Party of the Company
“Sale Shares”	100% equity interests of the Target Company
“Sale Loan”	an aggregate amount of RMB120,000,000 owed by the Target Company to the Vendor
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Huajun Intelligent Energy Company Limited * (華君智慧能源有限公司), a company established in the PRC with limited liability, which is wholly owned by the Vendor as at the date of this announcement
“Target Property”	an office complex under construction situate at Southeast corner of the intersection of Zhihui Road and Yanxin Road, Huishan District, Wuxi, the PRC the total land area of approximately 16,637 sq.m. and the total building area of approximately 66,702 sq.m.
“Vendor”	Huajun Power Group Co., Ltd.* (華君電力集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent

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

Hong Kong, 29 July 2020

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*