

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.*



## **CHINA HUAJUN GROUP LIMITED**

**中國華君集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

### **CONNECTED TRANSACTION – DISPOSAL OF ENTIRE EQUITY INTERESTS IN YINGKOU FURUN INDUSTRIAL CO., LTD.\***

#### **THE DISPOSAL**

The Board is pleased to announce that on 21 July 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interests (representing 100% equity interests in the Target Company) at the Consideration upon the terms and conditions set out in the Equity Transfer Agreement.

#### **LISTING RULES IMPLICATIONS**

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the date of this announcement, the Purchaser is indirectly wholly-owned by Mr. Meng. As the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios are less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholder's approval requirement pursuant to Rule 14A.76 of Listing Rules.

As all of the applicable percentage ratios calculated in accordance with the Listing Rules are less than 5%, the Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules and is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors of the Company should note that completion of the Disposal is subject to the fulfilment of the conditions precedent under the Equity Transfer Agreement. The Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares of the Company.**

## THE DISPOSAL

The Board is pleased to announce that on 21 July 2021 (after trading hours), the Vendor (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Interests (representing 100% equity interests in the Target Company) for the Consideration upon the terms and conditions set out in the Equity Transfer Agreement.

## THE EQUITY TRANSFER AGREEMENT

Principal terms of the Equity Transfer Agreement are set forth below:

Date: 21 July 2021

Parties: Vendor: Huajun Logistics Group Limited\* (華君物流集團有限公司)  
Purchaser: Huajun Group (Yingkou) Company Limited\* (華君集團(營口)有限公司)

The Purchaser is indirectly wholly-owned by Mr. Meng therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

### Assets to be disposed of

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Interests at the Consideration.

As at the date of this announcement, the Target Company directly holds the entire equity interest in the Subsidiary A and Subsidiary B.

The Target Group currently owns certain land and properties in constructions, which are situated at Liaoning (Yingkou) Coastal Industrial Base, Yingkou City, Liaoning Province, the PRC.

## **Consideration**

The Consideration, which is RMB8,060,000, shall be paid by the Purchaser to the Vendor within ten (10) business days following the completion of the registration of the transfer of equity interests.

The Consideration is determined after negotiation between the Vendor and the Purchaser with reference to (i) the unaudited net liabilities of approximately RMB44.7 million as at 31 May 2021; (ii) the fair value of the land and properties under constructions owned by the Target Group of approximately RMB827.7 million based on the preliminary valuation report prepared by an independent qualified valuer; and (iii) the historical cost of the Company incurred for acquisition of the Target Company of RMB8,060,000.

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

## **Conditions Precedent**

Completion shall be conditional upon the fulfilment of the following Conditions Precedent on or before the Long Stop Date:

- (a) the passing by the independent shareholders at a special general meeting of necessary resolution(s) to approve the Equity Transfer Agreement and the transactions contemplated thereunder (if required by the Listing Rules);
- (b) the Vendor being the legal and beneficial owner of the Sale Interests and that the Sale Interests are free from any encumbrances or third-party rights;
- (c) before and at Completion, no action having been done by the existing management of the Target Company which may cause material adverse impact to the business, assets, property, financial conditions, operations and prospects of the Target Company; and
- (d) all necessary consent, approval, authorisation, exemption, permit, or proof required to be obtained on the part of the Vendor in respect of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained.

## **Completion**

Completion shall take place on a day falling within (10) Business Days after the date on which all the conditions precedent set out under the Equity Transfer Agreement have been fulfilled.

Each of the Vendor and Purchaser shall bear its own taxes and expenses arising from the Disposal.

## **INFORMATION OF THE COMPANY**

As at the date of this announcement, the core business of the Group are: (i) sale and manufacturing of high quality multicolour packaging products, carton boxes, books, brochures and other paper products; (ii) trading and logistics; (iii) property development and investments; (iv) manufacturing and sales of solar photovoltaic products; and (v) financial services.

## **INFORMATION OF THE VENDOR**

As at the date of this announcement, the Vendor is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. The principal activity of the Vendor is the provision of logistics, cargo packaging and storage services.

## **INFORMATION OF THE PURCHASER**

As at the date of this announcement, the Purchaser is a company established in the PRC and indirectly wholly-owned by Mr. Meng. The principal activity of the Purchaser is investment holding.

## **INFORMATION OF THE TARGET GROUP**

The Target Company is a company established in the PRC with limited liability on 21 July 2016 and is principally engaged in investment, construction, operation, engineering general contracting and system development, integration and design of solar power plants and system development, integration and design of distributed energy products.

Subsidiary A is a company established in the PRC with limited liability and is principally engaged in research and development and manufacturing of modified polymer composite materials, bio-based new materials, automatic control products, environmental engineering.

Subsidiary B is a company established in the PRC with limited liability and is principally engaged in manufacturing of hydraulic machinery and hydraulic transmission devices; cargo transportation and hoisting; hydraulic product technology development; solar mono-polysilicon manufacturing, silicon wafer production and processing, sales of photovoltaic products; technology research and development of solar photovoltaic products.

## FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is the unaudited financial information of Target Group for the two financial years ended 31 December 2019 and 2020 and the five months ended 31 May 2021, as extracted from the unaudited consolidated management accounts of the Target Group (for illustration purposes only):

	<b>For the year ended 31 December 2019 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2020 (RMB'000) (unaudited)</b>	<b>For the five months ended 31 May 2021 (RMB'000) (unaudited)</b>
Loss before taxation	25,469	10,613	35,339
Loss after taxation	25,469	10,613	35,339

Based on the unaudited consolidated management accounts of the Target Group, the unaudited consolidated net liabilities and the consolidated total asset value of the Target Group as at 31 May 2021 were approximately RMB44.7 million and approximately RMB818.5 million respectively.

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

Immediately after the Completion, the Target Group will cease to be subsidiaries of the Company and the financial results of Target Group will no longer be consolidated into the Group's financial statements.

It is expected that the Company will recognise a gain of approximately RMB52.7 million arising from the Disposal, which is calculated by reference to the carrying value of the Company's investment in Target Group 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 apply the proceeds from the Disposal (i.e. the Consideration) to supplement the general working capital of the Company. Shareholders should note that the above figures are for illustrative purpose only. The actual gain on the Disposal may be different from the above and will be determined based on the financial position of Target Group on the date of the Completion and the review by the Company's auditors.

## REASONS FOR 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. As disclosed in the announcement of the Company dated 9 June 2021, Subsidiary A and Subsidiary B are defendants of litigations for certain outstanding banking facilities. The Disposal can also save the resources of the Group to handle the litigations and to avoid incurring further finance costs for banking facilities of the Target Group. 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 Equity Transfer Agreement is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the date of this announcement, the Purchaser is indirectly wholly-owned by Mr. Meng. As the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules, the Disposal constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios are less than 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and shareholder's approval requirement pursuant to Rule 14A.76 of Listing Rules.

As all of the applicable percentage ratios calculated in accordance with the Listing Rules are less than 5%, the Disposal does not constitute a notifiable transaction under Chapter 14 of the Listing Rules and is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

**Shareholders and potential investors of the Company should note that completion of the Disposal is subject to the fulfilment of the conditions precedent under the Equity Transfer Agreement. The Disposal may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares of the Company**

## **DEFINITIONS**

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

“Board”	the board of Directors;
“Business Day”	a day (other than Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks are generally open in Hong Kong for general banking business throughout their normal business hours;
“Company”	China Huajun Group Limited (Stock Code: 377), a limited company incorporated in Bermuda, the Shares of which are listed on the Main Board of the Stock Exchange;

“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreement;
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	RMB8,060,000, being the total consideration payable by the Purchaser to the Vendor for the disposal of the Sale Interests;
“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Interests by the Vendor to the Purchaser as contemplated under the Equity Transfer Agreement;
“Equity Transfer Agreement”	the equity transfer agreement dated 21 July 2021 and entered into between the Vendor and the Purchaser in relation to the Disposal;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Day”	31 December 2021 or such other date as the Vendor and the Purchaser may agree in writing;
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder (as defined under the Listing Rules) of the Company;
“PRC”	the People’s Republic of China, but for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Huajun Group (Yingkou) Company Limited* (華君集團(營口)有限公司), a limited liability company established in the PRC on 19 March 2018, which is indirectly wholly-owned by Mr Meng;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Interests”	representing the 100% equity interest of the Target Company;
“Share(s)”	the ordinary share(s) of HK\$1 each in the issued share capital of the Company;

“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary A”	Hareon New Materials Technology Development (Liaoning) Co., Ltd.* (海潤新材科技發展(遼寧)有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company;
“Subsidiary B”	Huajun Hydraulic Machinery Technology Development (Liaoning) Co., Ltd. (華君液力機械科技發展(遼寧)有限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company;
“Vendor”	Huajun Logistics Group Limited* (華君物流集團有限公司), as at the date of this announcement, an indirect wholly-owned subsidiary of the Company;
“Target Company”	Yingkou Furun Industrial Co., Ltd.* (營口富潤實業有限公司), a limited liability company incorporated in the PRC, which is directly wholly-owned by the Vendor as at the date of this announcement;
“Target Group”	The Target Company, Subsidiary A and Subsidiary B collectively;
“%”	per cent.

By order of the Board  
**China Huajun Group Limited**  
**Zhang Ye**

*Executive Director and Chief Executive Officer*

Hong Kong, 21 July 2021

*As at the date of this announcement, the Board comprises Mr. Meng Guang Bao, Ms. Zhang Ye, Mr. Zhang Shifeng and Mr. Yan Ruijie 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 purposes only*