

*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)**

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

Reference is made to the announcement (the “**Announcement**”) of China Huajun Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 July 2021 in relation to the disposal of the entire equity interest in Yingkou Furun Industrial Co., Ltd.\* (營口富潤實業有限公司) by an indirect wholly-owned subsidiary of the Company, Huajun Logistics Group Limited\* (華君物流集團有限公司) (the “**Vendor**”), to Huajun Group (Yingkou) Company Limited\* (華君集團(營口)有限公司) (the “**Purchaser**”). Terms used herein shall have the same meanings as defined in the Announcement unless the context requires otherwise.

The Company would like to supplement the information contained in the Announcement as follows:

#### **FURTHER INFORMATION RELATING TO THE LAND AND PROPERTIES IN CONSTRUCTIONS OWNED BY THE TARGET GROUP (“TARGET PROPERTIES”)**

The Target Properties comprises developing industrial development (i.e. dormitory, office, warehouse and supporting facilities with an aggregate gross floor areas of approximately 336,529 sq.m. erecting on three parcels of land located at Liaoning (Yingkou) Coastal Industrial Base with a total site area of 937,480 sq.m. for industrial usage.

The Company has engaged independent qualified valuer, LCH (Asia-Pacific) Surveyors Limited to prepare the valuation report on the Target Properties. The fair value of the Target Properties as at 31 May 2021 is approximately RMB827.7 million.

## **FURTHER INFORMATION RELATING TO DETERMINATION BASIS OF THE CONSIDERATION**

As disclosed in the Announcement, 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.

Based on the unaudited management accounts for the Target Group for the five months ended 31 May 2021, the Target Group had net liabilities of approximately RMB44.7 million. The major assets of the Target Group comprised land use rights of approximately RMB129.8 million, construction in progress of RMB612 million, trade and other receivables and VAT recoverable of RMB76.7 million. The major liabilities of the Target Group comprised bank loans of RMB106 million, bills payable of RMB338 million, construction and other payables of RMB355.6 million and interest payable of RMB63.6 million. Pursuant to the Equity Transfer Agreement, the Purchaser is entitled to all assets of the Target Group and all liabilities of the Target Group are to be borne by the Purchaser at Completion.

The fair value of the Target Properties as at 31 May 2021 is approximately RMB827.7 million based on the preliminary valuation report prepared by an independent qualified valuer. Taking into account the preliminary valuation report, there is a valuation surplus of RMB85.9 million on the Target Properties compared to the book carrying value of RMB741.8 million as at 31 May 2021. Considering the tax effect of the valuation surplus, the adjusted total assets of the Target Group is approximately RMB882.9 million and the adjusted net assets value of the Target Group is approximately RMB19.7 million as at 31 May 2021.

As disclosed in the Announcement, the Target Group incurred a net loss of approximately RMB35.3 million for the five months ended 31 May 2021. Based on the unaudited management accounts for the seven months ended 31 July 2021 of the Target Group, the Target Group incurred further loss of approximately RMB13.4 million in June and July 2021, mainly due to finance costs of approximately RMB12 million. The Target Group had net liabilities of approximately RMB58.1 million as at 31 July 2021. Applying the valuation results of the Target Properties with fair value of RMB827.7 million as at 31 May 2021, the adjusted net assets of the Target Group was approximately RMB6.3 million (Calculated from RMB19.7 million adjusted net assets of the Target Group at 31 May 2021 less the loss for June and July 2021 of RMB13.4 million). The Consideration of RMB8.1 million is in excess of the adjusted net assets of RMB6.3 million as at 31 July 2021. Assuming the same level of borrowings of the Target Group, the Board expects the Target Group will incur a monthly loss of approximately RMB6.7 million if the Disposal does not take place.

Taking into account of the above, the Board consider the Consideration is fair and reasonable and on normal commercial terms, and the Disposal is in the interests of the Company and its shareholders as a whole.

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

By order of the Board  
**China Huajun Group Limited**  
**Zhang Ye**  
*Executive Director and Chief Executive Officer*

Hong Kong, 19 August 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*