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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)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF THE SALE SHARES IN THE TARGET COMPANY

THE DISPOSAL

The Board is pleased to announce that on 15 May 2023 (after trading hours), the Equity Transfer Agreements were entered into between the Vendor and the Purchasers for the disposal of the Sale Shares, pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to acquire the Sale Shares at an Aggregated Consideration of HK\$9,427,000, representing 100% of the issued share capital of the Target Company.

LISTING RULES IMPLICATIONS

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.

EQUITY TRANSFER AGREEMENTS

The Disposal

The Board is pleased to announce that on 15 May 2023 (after trading hours), the Equity Transfer Agreements are entered into between the Vendor and the Purchasers for the disposal of the Sale Shares, pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to acquire the Sale Shares at an Aggregated Consideration of HK\$9,427,000, representing 100% of the issued share capital of the Target Company.

Set out below are the principal terms of the Equity Transfer Agreements:

Equity Transfer Agreement A

Date: 15 May 2023

Parties: (i) The Company, as the Vendor
(ii) Ms. Chang Minqin* (常敏琴), as the Purchaser A

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and as advised by the Purchaser A, she is a PRC businesswoman and an Independent Third Party of the Company.

Assets to be disposed

Pursuant to the Equity Transfer Agreement A, the Purchaser A has agreed to acquire and the Vendor has agreed to sell 34% of the Sale Shares at a consideration of HK\$3,205,000.

Equity Transfer Agreement B

Date: 15 May 2023

Parties: (i) The Company, as the Vendor
(ii) Ms. Li Junping* (李軍平), as the Purchaser B

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and as advised by the Purchaser B, she is a PRC businesswoman and an Independent Third Party of the Company.

Assets to be disposed

Pursuant to the Equity Transfer Agreement B, the Purchaser B has agreed to acquire and the Vendor has agreed to sell 33% of the Sale Shares at a consideration of HK\$3,111,000.

Equity Transfer Agreement C

Date: 15 May 2023

Parties: (i) The Company, as the Vendor
(ii) Mr. Chen Pengyu* (陳鵬宇), as the Purchaser C

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and as advised by the Purchaser C, he is a PRC businessman and an Independent Third Party of the Company.

Assets to be disposed

Pursuant to the Equity Transfer Agreement C, the Purchaser C has agreed to acquire and the Vendor has agreed to sell 33% of the Sale Shares at the consideration of HK\$3,111,000.

Aggregated Consideration and Payments

The Aggregated Consideration of the Sale Shares is HK\$9,427,000, comprising HK\$3,205,000 from the Purchaser A, HK\$3,111,000 from the Purchaser B and HK\$3,111,000 from the Purchaser C. Pursuant to the Equity Transfer Agreements, the Purchasers will fully pay their consideration to their respective lawyer(s) under custodian respectively two working days before the date of the Equity Transfer Agreements.

The Aggregated Consideration was determined after arm's length negotiations between the Vendor and the Purchasers on normal commercial terms with reference to, among others, the net assets of the Target Group as at the date of this announcement.

Accordingly, the Board considers that the Aggregated Consideration and the terms and conditions of the Equity Transfer Agreements are fair and reasonable and on normal commercial terms and are in the interest of the Company and its Shareholders as a whole.

Completion

The parties shall endeavour to procure the registration of the transfer of the Vendor's ownership in the Sale Shares to the Purchasers within three working days from the date of the Equity Transfer Agreements. The lawyer(s) will release the Aggregated Consideration to the Vendor upon completion of the transfer of the Sale Shares to the Purchasers.

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

INFORMATION OF THE VENDOR

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; and (iii) property development and investments.

INFORMATION OF THE PURCHASERS

As advised by the Purchasers, namely. Ms. Chang Minqin* (常敏琴), Ms. Li Junping* (李軍平) and Mr. Chen Pengyu* (陳鵬宇), each of them is a PRC businesswoman/businessman and is Independent Third Party of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and is entirely owned by the Vendor as at the date of this announcement. The Target Company is principally engaged in investment holding for holding the entire equity interest of the Target Subsidiary.

INFORMATION OF TARGET SUBSIDIARY

The Target Subsidiary is a company incorporated in Hong Kong with limited liability and is wholly-owned owned by the Target Company as at the date of this announcement. It is a licensed corporation which is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Its principal activities are provision of financial services, among other things, securities investments, securities brokerage and assets management.

FINANCIAL INFORMATION OF THE TARGET GROUP

The financial information of the Target Group for the years ended 31 December 2021 and 2022 and the four months ended 30 April 2023 is set out below:

	For the year ended 31 December 2021 (audited) HK\$'000	For the year ended 31 December 2022 (audited) HK\$'000	Four months ended 30 April 2023 (unaudited) HK\$'000
Loss before taxation	2,617	2,508	763
Loss after taxation	2,617	2,508	763

The unaudited net asset value and total asset value of the Target Group as at 30 April 2023 were approximately HK\$4,719,000 and HK\$7,927,000 respectively.

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

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

It is expected that the Company will recognise a gain in its consolidated income statement of approximately HK\$3.5 million arising from the Disposal, which is calculated by reference to the carrying value of the Company's investment in the Target Group and the Aggregated Consideration less related expenses. 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 auditor.

The net proceeds (after deducting other expenses in relation thereto) arising from the Disposal is approximately HK\$8.3 million, will be applied 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 the 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 can dispose of a continued loss-making business and recover cash resources for the general working capital of the Company. The Group will focus its resources on printing and trading and logistics business with stable cashflow and profitability. The Directors are of the view that the Disposal will improve the liquidity and overall financial position of the Group.

The Directors believe that the terms of the Disposal are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

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

“Aggregated Consideration”	HK\$9,427,000, being the aggregated consideration payable by the Purchasers to the Vendor for the disposal of the Sale Shares;
“Board”	the board of Directors;
“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;
“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Equity Transfer Agreements;
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules;

“Director(s)”	the director(s) of the Company;
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchasers as contemplated under the Equity Transfer Agreements;
“Equity Transfer Agreement A”	the equity transfer agreement dated 15 May 2023 and entered into between the Vendor and the Purchaser A in relation to the Disposal;
“Equity Transfer Agreement B”	the equity transfer agreement dated 15 May 2023 and entered into between the Vendor and the Purchaser B in relation to the Disposal;
“Equity Transfer Agreement C”	the equity transfer agreement dated 15 May 2023 and entered into between the Vendor and the Purchaser C in relation to the Disposal;
“Equity Transfer Agreements”	Equity Transfer Agreement A, Equity Transfer Agreement B and Equity Transfer Agreement C collectively;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“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, but for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser A”	Ms. Chang Minqin* (常敏琴), a PRC businesswoman, as at the date of this announcement, an Independent Third Party of the Company;
“Purchaser B”	Ms. Li Junping* (李軍平), a PRC businesswoman, as at the date of this announcement, an Independent Third Party of the Company;

“Purchaser C”	Ms. Chen Pengyu* (陳鵬宇), a PRC businessman, as at the date of this announcement, an Independent Third Party of the Company;
“Purchasers”	Purchaser A, Purchaser B and Purchaser C collectively;
“Sale Shares”	representing the 100% equity interest and the paid-up capital of the Target Company;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“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(ies)”	has the meaning as ascribed thereto under the Listing Rules;
“Target Company”	United Securities (HK) Holdings Limited, a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability;
“Target Group”	Target Company and Target Subsidiary collectively;
“Target Subsidiary”	United Securities Limited, a wholly-owned subsidiary of the Target Company incorporated in Hong Kong with limited liability;
“Vendor”	the Company;
“%”	per cent.

By order of the Board
China Huajun Group Limited
Yan Ruijie
Acting Chairman, Chief Executive Officer and Executive Director

Hong Kong, 15 May 2023

As at the date of this announcement, the Board comprises Mr. Meng Guang Bao (suspension of duties and powers), Mr. Yan Ruijie and Ms. Chen Yun as executive Directors; and Mr. Shen Ruolei, Mr. Pun Chi Ping and Mr. Mok Yi Kwo 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*