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## **HUAJUN HOLDINGS LIMITED**

**華君控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 377)**

### **MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN DASHIQIAO CONTINUOUSLY WATER AFFAIRS LIMITED#**

#### **THE SALE AND PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 19 December 2014 in relation to the entering into the W MOU for the potential acquisition by the Group.

The Board is pleased to announce that on 6 February 2015 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interest of the Target Company at a total consideration of RMB100,000,000 (equivalent to approximately HK\$124,500,000) in cash (subject to adjustments).

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition calculated exceed 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements under the Listing Rules.

\* *For identification purposes only*

Since (i) no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM (if necessary) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) on 6 February 2015, the Company received written shareholder's approval, approving the Acquisition from Huajun International Limited, being the Shareholder holding 1,669,061,000 Shares, representing approximately 62.62% of the entire issued share capital of the Company, no general meeting is required to be convened for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules and the condition to the Sale and Purchase Agreement has been satisfied.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the financial information of the Target Company; and (iii) other general information of the Company, is expected to be despatched to the Shareholders on or before 3 March 2015.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 19 December 2014 in relation to the entering into the W MOU for the potential acquisition by the Group.

The Board is pleased to announce that on 6 February 2015 (after trading hours of the Stock Exchange), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interest of the Target Company.

The Sale and Purchase Agreement replaced any preceding agreements, arrangements, statements, understandings or transactions entered into prior to the Sale and Purchase Agreement in relation to the Acquisition and possible acquisition of entire equity interest in Target Company, including but not limited to the W MOU.

## **SALE AND PURCHASE AGREEMENT**

Set out below are the principal terms of the Sale and Purchase Agreement:

Date : 6 February 2015

Parties : (i) Continuously Water Affairs (China) Limited\* (源源水務(中國)有限公司), as the Purchaser

(ii) Mr. Qin Shixu# (秦世旭) and Ms. Cheng Meijun# (程梅君) as the Vendors

As at the date of this announcement, the Purchaser is an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each the Vendors is the Independent Third Party.

## Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interest of the Target Company, excluding certain assets, long-term investments and certain liabilities as stated in the Sale and Purchase Agreement.

## Consideration

The Consideration of the Acquisition is RMB100,000,000 (equivalent to approximately HK\$124,500,000) in cash, which is payable to Mr. Qin Shixu# (秦世旭) on the Completion Date. Pursuant to the Sale and Purchase Agreement, Mr. Qin Shixu# (秦世旭) shall make his own arrangement to allocate the Consideration attributable to Ms. Cheng Meijun# (程梅君) upon the receipt of the Consideration from the Purchaser.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors taking into account (i) the registered capital of the Target Company; (ii) the actual investment costs of the Vendors to the Target Company; (iii) the adjustment mechanism of the Consideration as set out in the Sale and Purchase Agreement; (iv) the customer base of the Target Company; (v) the coverage area of the water supply facilities provided by the Target Company; (vi) the historical financial and operating performance of the Target Company; (vii) the prospects of the business and the potential future earning capacity of the Target Company in the medium to long term; and (viii) the performance of comparable companies in the water supply industry.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## Consideration Adjustment

Pursuant to the Sale and Purchase Agreement, the Vendors have guaranteed to the Purchaser that the net profit (excluding any profit or loss deriving from the activities not within the ordinary and usual course of business of the Target Company) (the "**2015 Net Profit**") as shown in the audited accounts of the Target Company for the financial year ending 31 December 2015 (the "**2015 Audited Accounts**") as prepared by the auditor(s) appointed by the Purchaser shall not be less than RMB28,000,000 (equivalent to approximately HK\$34,860,000) (the "**2015 Guaranteed Profit**").

The Vendors and the Purchaser have agreed that the Consideration shall be adjusted or not be adjusted (the "**Adjusted Consideration**") in accordance to the below manner:

- (i) in the event that the 2015 Net Profit equals or exceeds the 2015 Guaranteed Profit, no adjustment shall be made to the Consideration; and

- (ii) in the event that the 2015 Net Profit is less than the 2015 Guaranteed Profit, the Vendors shall make a cash payment to the Purchaser in an amount equal to the difference between the Consideration and the Adjusted Consideration in full within 30 days after the issue of the 2015 Audited Accounts.

Pursuant to the Sale and Purchase Agreement, the Adjusted Consideration shall be calculated in accordance with the following formula:

$$\text{Adjusted Consideration} = (\text{2015 Net profit}/\text{2015 Guaranteed Profit}) \times \text{Consideration}$$

Further, pursuant to the Sale and Purchase Agreement, in the event that the amount of each of the asset items as shown in the management accounts of the Target Company as at the Completion Date is less than the respective amounts as at 30 November 2014, the Vendors shall repay such shortfall amounts to the Purchaser in cash no later than 30 days after the Completion Date. If the said amount of the assets is greater then, no additional amount will be paid by the Purchaser to the Vendors. In addition, the Vendors undertake to bear the amount of the total liabilities of the Target Company as at the Completion Date exceeding the relevant amount as at 30 November 2014.

### **Condition Precedent**

Completion of the Acquisition is conditional upon the fulfillment of the following condition on or before the Condition Fulfillment Date:

1. the Company having obtained the Shareholders' approval in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM or having obtained the relevant waiver from the Stock Exchange.

If the above condition has not been fulfilled by the Condition Fulfillment Date or such later date as the parties to the Sale and Purchase Agreement may agree in writing, the Sale and Purchase Agreement shall lapse and have no further effect.

### **Registration and Completion**

Pursuant to the Sale and Purchase Agreement, the Vendors and the Purchaser shall conduct and complete any necessary industrial and commercial registrations and other relevant transitional works (the "**Registrations**") within 20 Business Days from the day of the Sale and Purchase Agreement.

Completion of the Acquisition shall take place within 5 Business Days immediately following the completion of the Registrations, subject to the condition under the Sale and Purchase Agreement (set out under the sub-heading of "Condition Precedent" above) having been satisfied on or before the Condition Fulfillment Date or such other time and date as the Vendors and the Purchaser may agree in writing.

## INFORMATION OF THE VENDORS AND TARGET COMPANY

The Vendors, namely Mr. Qin Shixu# (秦世旭) and Ms. Cheng Meijun# (程梅君), are businessmen and citizens in the PRC.

The Target Company is a company established in the PRC and is principally engaged in (i) the production and supply of tap water for residential and commercial uses; and (ii) the provision of maintenance service on water supply facilities in Yingkou City, Liaoning Province, the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors is the third party independent of and not connected with the Company and its connected persons.

## FINANCIAL INFORMATION OF THE TARGET COMPANY

As informed by the Vendors, the unaudited financial information of the Target Company for the financial years ended 31 December 2012, 2013 and the 11-month ended 30 November 2014 respectively, are summarized as follows (for illustration purposes only):

	<b>For the period ended 30 November 2014 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2013 (RMB'000) (unaudited)</b>	<b>For the year ended 31 December 2012 (RMB'000) (unaudited)</b>
Revenue	26,425	30,751	26,026
Loss before taxation	(29,583)	(20,110)	(16,021)
Loss after taxation	(29,583)	(20,110)	(16,021)
	<b>As at 30 November 2014 (RMB'000) (unaudited)</b>	<b>As at 31 December 2013 (RMB'000) (unaudited)</b>	<b>As at 31 December 2012 (RMB'000) (unaudited)</b>
Net assets	9,948	38,070	55,261

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The principal business activity of the Company is investment holding. The Group is principally engaged in (i) the sale and manufacture of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) provision of finance; (iii) securities investments; (iv) property investments; and (v) financial leasing.

The Company is of the view that water supply and its facilities maintenance are fast growing businesses with great potential for profit. As such, the entering into of the Sale and Purchase Agreement will allow the Company to diversify the Group's business portfolio and also provide a new source of income for the Group.

Having considered the above, the Directors believe that entering into of the Sale and Purchase Agreement will provide a great opportunity to the Group to generate a stable long-term investment income, thus potentially greater return for the Shareholders.

The Directors further believe that entering into of the Sale and Purchase Agreement will not change the nature of the Group's principal business of printing and manufacturing but will diversify the Group's business portfolio. In view of the above, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition calculated exceed 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the announcement, circular and Shareholders' approval requirements under the Listing Rules.

Since (i) no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM (if necessary) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; and (ii) on 6 February 2015, the Company received written shareholder's approval, approving the Acquisition from Huajun International Limited, being the Shareholder holding 1,669,061,000 Shares, representing approximately 62.62% of the entire issued share capital of the Company, no general meeting is required to be convened for the approval of the Acquisition pursuant to Rule 14.44 of the Listing Rules and the condition to the Sale and Purchase Agreement has been satisfied.

A circular containing, among other things, (i) further details of the Acquisition; (ii) the financial information of the Target Company; and (iii) other general information of the Company, is expected to be despatched to the Shareholders on or before 3 March 2015.

## TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

“Acquisition”	the acquisition in relation to the entire equity interest of the Target Company pursuant to the terms and conditions of the Sale and Purchase Agreement, excluding certain assets, long term investments and certain liabilities of the Target Company as stated in the Sale and Purchase Agreement;
“Board”	the board of Directors;
“Business Days”	a day (other than a Saturday or a Sunday at any time between 9:00 a.m. to 5:00 p.m.) on which licensed banks in the PRC are open for general banking business throughout their normal business hours;
“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;
“Completion”	the completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Completion Date”	immediately following the date that the condition has been satisfied but not later than the Condition Fulfillment Date or such other time and date as the Vendors and the Purchaser may agree in writing;
“Condition Fulfillment Date”	20 March 2015 or such later date as the parties to the Sale and Purchase Agreement may agree in writing;
“Connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the consideration payable by the Purchaser to the Vendors for the entire interest of the Target Company, being RMB100,000,000 (equivalent to approximately HK\$124,500,000);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Independent Third Party(ies)”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Purchaser”	Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司), an indirect wholly-owned subsidiary of the Company;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 6 February 2015, including its amendments or replacement, entered into between the Vendors and the Purchaser in relation to the Acquisition;
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company, to be held if necessary, to approve the Acquisition;
“Shareholders”	the holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Dashiqiao Continuously Water Affairs Limited* (大石橋源源水務有限公司), a limited liability company established in the PRC;
“Vendors”	Mr. Qin Shixu# (秦世旭) and Ms. Cheng Meijun# (程梅君), who are both PRC citizens;
“W MOU”	the memorandum of understanding dated 19 December 2014 entered into between the Purchaser and the Vendors;
“%”	per cent;



“HK\$” Hong Kong Dollar, the lawful currency of Hong Kong;

“RMB” Remenbi, the lawful currency of the PRC.

# *The English name in this announcement is for reference only. The official name is in Chinese.*

\* *For identification purposes only*

By Order of the Board  
**Meng Guang Bao**  
*Chairman and Executive Director*

Hong Kong, 6 February 2015

*For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.245. 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 and the English version shall prevail.*