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HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

DISCLOSEABLE TRANSACTION FINANCE LEASE AGREEMENT

On 20 May 2015 (after trading hour), Huajun Leasing, an indirect wholly-owned subsidiary of the Company, entered into the Finance Lease Agreement with the Lessee.

Pursuant to the Finance Lease Agreement, Huajun Leasing has agreed to purchase the Assets from the Lessee at the Consideration of RMB200,000,000 (approximately HK\$250,000,000) and lease back the Assets to the Lessee for a term of 18 months.

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Finance Lease Agreement are more than 5% but less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

* *For identification purposes only*

THE FINANCE LEASE AGREEMENT

Date

20 May 2015 (after trading hour)

Parties

- Lessor : Huajun Leasing, an indirect wholly-owned subsidiary of the Company, which principal business is, among other things, financial leasing
- Lessee : Qianan City Hong Ao Industrial and Trading Limited* (遷安市宏奧工貿有限公司), which principal businesses are, among other things, lime manufacturing, dolomite processing, wholesale of steel and mining machinery parts and etc.

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

Subject matter

Pursuant to the Finance Lease Agreement, Huajun Leasing has conditionally agreed to purchase the Assets from the Lessee at the Consideration of RMB200,000,000 (approximately HK\$250,000,000) and then lease back the Assets to the Lessee for a term of 18 months.

Term

The lease shall be for a term of 18 months, commencing from the date of the payment of the Consideration by Huajun Leasing to the Lessee.

If Huajun Leasing has elected to pay the Consideration under option (1) as set out in the subparagraph headed "Consideration for the purchase of the Assets" below, the lease term will be 18 months commencing from the date of the payment of the total Consideration by Huajun Leasing to the Lessee.

If Huajun Leasing has elected to pay the Consideration under option (2) as set out in the subparagraph headed "Consideration for the purchase of the Assets" below, the lease term of each payment of RMB100,000,000 (equivalent to approximately HK\$12,500,000) will be 18 months, from the date of the respective payment of RMB100,000,000 (equivalent to approximately HK\$12,500,000) by Huajun Leasing to the Lessee.

Consideration for the purchase of the Assets

The Consideration for the purchase of the Assets is RMB200,000,000 (approximately HK\$250,000,000), which has been agreed after arm's length negotiations between the parties with reference to the original purchase costs of the Assets of the Lessee.

Huajun Leasing may at its option to pay the Consideration in one of the following payment manners:

- (1) the total Consideration of RMB200,000,000 (approximately HK\$250,000,000) in a lump sum within 10 Business Days after the date that all Conditions Precedent having been satisfied; or
- (2)
 - (i) RMB100,000,000 (equivalent to approximately HK\$125,000,000) within 10 Business Days after the date that all Conditions Precedent having been satisfied; and
 - (ii) RMB100,000,000 (equivalent to approximately HK\$125,000,000), being the balance of the Consideration, within 10 Business Days after Huajun Leasing have received and confirmed the content of the warehouse receipt certificate (貨物倉單) or delivery notice for the collection (提貨通知書) of goods with value not less than RMB100,000,000 (equivalent to approximately HK\$125,000,000) which shows the owner of such goods is Huajun Leasing or a party designated by Huajun Leasing.

If Huajun Leasing has elected to pay the Consideration under option (1) above, Huajun Leasing will withhold from the Consideration an aggregate sum of RMB16,500,000 (equivalent to approximately HK\$20,625,000), in which (a) RMB10,000,000 (equivalent to approximately HK\$12,500,000) being the deposit of the lease payment; and (b) RMB6,500,000 (equivalent to approximately HK\$8,125,000) being the first quarterly lease payment). Therefore, the outstanding balance of the Consideration shall be RMB183,500,000 (equivalent to approximately HK\$229,375,000).

If Huajun Leasing has elected to pay the Consideration under option (2) above, upon its first payment of Consideration in accordance to option (2)(i) above, Huajun Leasing will first withhold from the Consideration an aggregate sum of RMB8,250,000 (equivalent to approximately HK\$10,312,500), in which (a) RMB5,000,000 (equivalent to approximately HK\$6,250,000) being the deposit of the lease payment; and (b) RMB3,250,000 (equivalent to approximately HK\$4,062,500) being the respective first quarterly lease payment). Therefore, the outstanding balance of the Consideration after the first payment shall be RMB191,750,000 (equivalent to approximately HK\$239,687,500). Upon its payment of the balance of Consideration in accordance to option (2)(ii) above, Huajun Leasing will further withhold from the balance of the Consideration in an aggregate sum of RMB8,250,000 (equivalent to approximately HK\$10,312,500), in which (a) RMB5,000,000 (equivalent to approximately HK\$6,250,000) being the deposit of the lease payment; and (b) RMB3,250,000 (equivalent to approximately HK\$4,062,500) being the respective first quarterly lease payment of the balance of the Consideration under option (2)(ii) above.

Notwithstanding the payment option elected by Huajun Leasing, upon payment of RMB100,000,000 (equivalent to approximately HK\$125,000,000) of the Consideration, the purchase of the Assets will be completed.

The payment of Consideration will be satisfied by Huajun Leasing through its internal resources and/or banking facilities, if necessary.

Conditions Precedent

The Consideration is payable by Huajun Leasing to the Lessee as specified in the section headed “Consideration for the purchase of the Assets” after the fulfillment of all of the following Conditions:

- (a) the Finance Lease Agreement has become effective;
- (b) Huajun Leasing has received from the Lessee the lease deposit, lease handling fee and other fee (if required) pursuant to the Finance Lease Agreement;
- (c) Huajun Leasing has received the executed copy of the Finance Lease Agreement, all relevant security documents and other legal documents;
- (d) if the Lessee and any other guarantor(s) are required to provide guarantee(s) under the Finance Lease Agreement, such guarantee(s) has been registered in accordance to the applicable laws or the way(s) as agreed between parties and Huajun Leasing has received the documentary proof of such registration(s) of the said guarantee(s) (if any);
- (e) Huajun Leasing has received from the Lessee all material documents, such as the ownership proof(s) and payment receipt(s) affixed with the company seal of the Lessee in respect of the Assets; and
- (f) all other requests by Huajun Leasing have been satisfied (if any).

If any of the above Conditions is not fulfilled, the Finance Lease Agreement shall be lapsed and have no further effect.

Securities

In order to secure the obligations of the Lessee under the Finance Lease Agreement, the Lessee will provide various securities, among other things, share charge and guarantee executed by the Lessee’s shareholders and guarantees and mortgages executed by other Independent Third Parties in favour of Huajun Leasing.

Lease payments

The Lessee will make its first lease payment on the date of completion as stated in the above sub-paragraph titled as “Consideration for the purchase of the Assets”.

Assuming that Huajun Leasing has elected to pay the Consideration under option (1) as specified in the section headed “Consideration for the purchase of the Assets” above, the lease payment would consist of six equal quarterly lease payments each in the sum of RMB6,500,000 (equivalent to approximately HK\$8,125,000) being for 13% interest of the Consideration per annum; and (ii) the one last quarterly lease payment in the sum of the Consideration.

Assuming that Huajun Leasing has elected to pay the Consideration under option (2) as specified in the section headed “Consideration for the purchase of the Assets” above and the total Consideration has been paid before the first quarterly lease payment is due, then the lease payment would consist of six equal quarterly lease payments each in the sum of RMB6,500,000 (equivalent to approximately HK\$8,125,000) being for 13% interest of the Consideration per annum; and (ii) the one last quarterly lease payment in the sum of the Consideration.

The lease payments have been agreed after arm’s length negotiations between the parties with reference to the original purchase cost of the Assets and the prevailing market rate for finance leases of comparable assets.

Ownership of the Assets

Pursuant to the Finance Lease Agreement, during the lease period, the ownership of the Assets vests in Huajun Leasing.

At the end of the lease term of the Lease Finance Agreement, subject to the satisfaction of all obligations by the Lessee under the Finance Lease Agreement, the Assets will be automatically returned to the Lessee without consideration.

REASONS FOR THE FINANCE LEASE AGREEMENT

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 entering into of the Finance Lease Agreement is in line with the ordinary and usual course of business of Huajun Leasing and it will generate a considerable and stable revenue and cash flow stream from the interest received over the lease term.

Given that the Finance Lease Agreement is being conducted in the ordinary and usual course of business of Huajun Leasing and is under normal commercial terms, the Directors are of the view that the terms of the Finance Lease Agreement are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the transaction contemplated under the Finance Lease Agreement are more than 5% but less than 25%, the transaction contemplated under the Finance Lease Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Assets”	the coke ovens (焦爐) and their ancillary equipment of the Lessee as set out in the Finance Lease 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
“Conditions”	the conditions precedent of the completion of the Finance Lease Agreement, details of which are set out in the paragraph headed “Conditions Precedent” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the purchase of the Assets is RMB200,000,000 (equivalent to approximately HK\$250,000,000)
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement”	the finance lease agreement dated 20 May 2015 executed by the Lessee and Huajun Leasing in respect of the Assets for a term of 18 months
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huajun Leasing”	Shenzhen Huajun Financial Leasing Limited* (深圳市華君融資租賃有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company. As disclosed in the Company’s announcement dated 27 April 2015, pursuant to the capital increase agreement dated 27 April 2015, the equity interest of Huajun Leasing indirectly held by the Company will be decreased to 70% upon completion (the “ Deemed Disposal ”). As of the date of this announcement, the Deemed Disposal has not yet been completed

“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
“Lessee”	Qianan City Hong Ao Industrial and Trading Limited* (遷安市宏奧工貿有限公司), a company established in the PRC and a party to the Finance Lease Agreement with registered capital in the sum of RMB145,000,000 (approximately HK\$181,250,000), in which 40% owned by Wang Xiangrong* (王香榮) and 60% owned by An Shili* (安士利)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholders”	the holders of shares of the Company
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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If there is any inconsistency in this announcement between the Chinese and English versions and the English version shall prevail.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement, for illustration only, at the rate of RMB1 to HK\$1.25. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all.

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

Hong Kong, 20 May 2015

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.