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HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

ISSUE OF THE CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENTS

On 13 December 2017, the Company entered into the Subscription Agreements with the Investors, pursuant to which the Company has conditionally agreed to issue, and the Investors have conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$218,000,000 upon and subject to the terms and conditions set out in the Subscription Agreements.

The Convertible Bonds is convertible into Shares at the initial Conversion Price of HK\$0.340 per Conversion Share. The initial Conversion Price of HK\$0.340 represents a premium of approximately 13.33% over the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the Last Trading Day; a premium of approximately 8.28% over the average of the closing price of Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day, of approximately HK\$0.314 per Share.

The Conversion Price was determined after the Company's arm's length negotiations with the Investors, with reference to, among other things, the Company's past performance, the prevailing market price of the Shares and the recent market conditions.

* *For identification purposes only*

The Conversion Shares will be allotted and issued pursuant to the General Mandate. Accordingly, the issue of the Conversion Shares will not be subject to the approval of the Shareholders. The Conversion Shares shall rank pari passu in all respects with all other existing Shares at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.

No application is made for listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will make an application to the Stock Exchange for the Conversion Shares and the listing of, and permission to deal in, the Conversion Shares.

The Closing is subject to the satisfaction and/or waiver of the Conditions Precedent.

As the Subscription may or may not proceed, and the Convertible Bonds and/or the Conversion Shares may or may not be issued, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION AGREEMENTS

Date

13 December 2017

Parties to Subscription Agreement (I)

Issuer: the Company

Investor: Investor (I)

Parties to Subscription Agreement (II)

Issuer: the Company

Investor: Investor (II)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investors and their respective ultimate beneficial owners are independent of and not connected with the Company and its connected persons (as defined under the Listing Rules).

Subscription for the Convertible Bonds

Subject to the fulfilment of the Conditions Precedent, on Closing, (i) the Company shall issue and the Investor (I) shall subscribe for the Convertible Bond (I) in the aggregate principal amount of HK\$118,000,000 upon and subject to the terms and conditions set out in the Subscription Agreement (I); and (ii) the Company shall issue and the Investor (II) shall subscribe for the Convertible Bond (II) in the aggregate principal amount of HK\$100,000,000 upon and subject to the terms and conditions set out in the Subscription Agreement (II). The Subscription Prices shall be paid to the Company by the respective Investors by means of wire transfer of funds to the Company's designated bank account on the Closing Date(s).

Subject to the Company's receipt of the Subscription Prices in accordance with the Subscription Agreements, the Company shall use such proceeds to settle the progress payment for the Group's property development project in Dalian City in the PRC.

Conditions Precedent

The obligations of the Investors to subscribe for the Convertible Bonds from the Company are subject to the fulfilment (or waiver) of all of the following Conditions Precedent on or before the Closing Date:

- (a) all the Warranties being true, complete and accurate in all respects and not misleading in any material respect;
- (b) the Company, to the extent applicable, having (i) duly complied with all requirements under applicable laws and its constitutional documents necessary for the validity and enforceability of the Transaction Documents and the transactions contemplated thereunder (including without limitation the proposed issue of Convertible Bonds); (ii) duly completed all procedural requirements (including without limitation notification, filing, registration, disclosure and/or announcement requirements) required by any relevant governmental authority and its constitutional documents in connection with the signing of the Transaction Documents and the transactions contemplated thereunder (including without limitation the proposed issue of Convertible Bonds) that is reasonably capable of being completed prior to the Closing; and (iii) obtained all consents and approvals by the relevant governmental authority and under its constitutional documents in connection with the signing of the Transaction Documents and the transactions contemplated thereunder (including without limitation the proposed issue of Convertible Bonds) that is reasonably capable of being completed prior to the Closing;

- (c) there being no governmental authority or any other entities that has:
 - (i) requested any information in connection with or instituted or, threatened any action or investigation to restrain, prohibit or otherwise challenge the subscription for the Convertible Bonds by the respective Investors and/or their nominees, or the other transactions contemplated by the Transaction Documents to which the respective Investors are parties;
 - (ii) threatened to take any action as a result of or in anticipation of the subscription for the Convertible Bonds by the respective Investor and/or their respective nominees, or the other transactions contemplated by the Transaction Documents to which the respective Investors are parties; or
 - (iii) proposed or enacted any applicable laws which would prohibit, materially restrict or materially delay the subscription for the Convertible Bonds by the respective Investors and/or their respective nominees, or the other transactions contemplated by the Transaction Documents to which the respective Investors are parties and/or the operation of any Group Company after the Closing;
- (d) there shall not have been any suspension of the trading of the Shares on the Stock Exchange for any reason during the period between the date the Subscription Agreements and the Closing Date (save for the purposes of clearing an announcement in respect of (i) the issue of the Convertible Bonds pursuant to the Subscription Agreements, or (ii) any transaction which is of a routine nature resulting in a temporary suspension of trading for not more than five (5) consecutive Business Days or cessation of trading of the Shares on the Stock Exchange for any reason);
- (e) the approval for the listing of and the permission to deal in the new Shares issuable upon the exercise of the Conversion Rights (subject to conditions satisfactory to the respective Investors and the Company as may be imposed by the Stock Exchange) on the Stock Exchange shall have been obtained;
- (f) as at the date of the Subscription Agreements and the Closing Date, there being no material adverse change in the principal business, operations, properties, conditions (financial or otherwise), personnel or prospects of the Group, nor the happening of events which may have a Material Adverse Effect;

- (g) there shall not have occurred (i) any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls; (ii) a general moratorium on commercial banking activities in Bermuda, Hong Kong or the PRC by any relevant governmental authority; (iii) an outbreak or escalation of hostilities or act of terrorism, and which, with respect to any of (i) to (iii) above, individually or in aggregate, is or is likely to have a Material Adverse Effect; or (iv) a suspension or material limitation of trading in securities generally on the Stock Exchange.

Closing

The Closing shall take place on the same Business Day as the fulfilment or waiver (as the case may be) of all Conditions Precedent (or such other date as may be agreed in writing between the Parties) at such place as may be agreed by the Parties.

PRINCIPLE TERMS OF THE CONVERTIBLE BONDS

Aggregate principal amount

HK\$218,000,000

Form and denomination of the Convertible Bonds

The Convertible Bonds are issued in registered form in the denomination of HK\$5,000,000 or integral multiples thereof as agreed to between the Company and the Convertible Bondholder(s).

Interest rate

10% per annum payable on a semi-annual basis

Default interests

If the Company fails to pay any sum in respect of the Convertible Bonds when the same becomes due and payable, an additional interest shall accrue on the overdue sum at the rate of 15% per annum from the due date up to (and including) the date of full payment of the overdue amount by the Company to the Convertible Bondholder's bank account. Such default interest shall accrue on the basis of the actual number of days elapsed and a 365-day year.

Convertible Bondholder's redemption rights for events of default

If any event of default set out in the terms and conditions of the Convertible Bond Instruments occurs, the Convertible Bondholders may give notice to the Company to the effect that the Convertible Bonds together with the interest accrued and unpaid thereon become immediately due and payable.

Status

The Convertible Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and the Convertible Bonds shall at all times rank pari passu in all respects and without any preference or priority among themselves. The payment obligations of the Company under the Convertible Bonds shall at all times rank at least equally with all of its other present and future direct, unsubordinated, unconditional and unsecured obligations. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

Conversion Price

The initial Conversion Price of HK\$0.340 represents a premium of approximately 13.33% over the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the Last Trading Day; a premium of approximately 8.28% over the average of the closing price of Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day, of approximately HK\$0.314 per Share. The Conversion Price was determined after arm's length negotiations between the Company and the Investor with reference to, among other things, the Company's past performance, the prevailing market price of the Shares, the recent market conditions.

Conversion period

The Conversion Rights attaching to the Convertible Bonds may be exercised, at the option of the holder thereof, at any time on and after the Issue Date up to the close of business on the Business Day immediately preceding the Maturity Date (both days inclusive, in no event thereafter), provided that in each case, if such final date for the exercise of the Conversion Rights is not a Business Day in Hong Kong and in the city in which the specified office is located, then the period of exercise of the Conversion Rights by the Convertible Bondholder(s) shall end on the immediately preceding Business Day.

Conversion Rights

Upon exercise in full of the Conversion Rights, a maximum of 641,176,470 Conversion Shares will be allotted and issued, representing (i) approximately 10.57% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.56% of the issued share capital of the Company as enlarged by the exercise of the Conversion Rights.

The Conversion Shares shall rank pari passu in all respects with all other existing Shares at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.

Maturity date

The Maturity Date.

Maturity

Unless previously redeemed, converted, purchased or cancelled as provided in the Convertible Bond Instruments, the Company shall pay to the Convertible Bondholder(s) on the Maturity Date an aggregate price (the “**Maturity Price**”) of (i) the outstanding principal amount of the Convertible Bonds on the Maturity Date, (ii) all accrued and unpaid interest from the Issue Date up to (and including) the Maturity Date and unpaid default interests (if any) accrued, (iii) such amount as would result in an internal rate of return of 12 percent (12%) per annum on the outstanding principal amount of the Convertible Bonds (taking into account all paid interest (but excluding any default interest paid) and calculated on the basis of the actual number of days elapsed in a year of 365 days), and (iv) all other outstanding amounts payable by the Company to the Convertible Bondholder(s) under the Transaction Documents.

Company’s early redemption

Subject to the prior written consent of the Convertible Bondholder(s), the Company shall have the right to redeem all (but not part of) outstanding principal amount in respect of such portion of the Convertible Bonds which has not been converted into Shares at any time during the period between the first day immediately after sixth (6th) months from the Issue Date and the twentieth (20th) Business Day immediately preceding the Maturity Date by depositing a notice of redemption with the Convertible Bondholder(s) in accordance with the Convertible Bond Instruments.

Adjustment of Conversion Price

The Conversion Price will be subject to adjustment in the following events:

- (a) an alteration to the nominal value of the Shares as a result of consolidation or subdivision;
- (b) capitalisation of profits or reserves;
- (c) distributions to the Shareholders;
- (d) issue of Shares as a class by way of rights, or issue or grant of rights, options, warrants or other rights to subscribe for any Shares or other securities to all or substantially all of the Shareholders;
- (e) issue of Shares wholly for cash or the issue or grant of any options, warrants or other rights to subscribe for Shares at less than market price;
- (f) issue, sale or distribution of any securities by the Company or any of its subsidiaries in connection with an offer pursuant to which the Shareholders are generally entitled to participate in arrangements whereby such securities may be acquired by them.

Transferability

The Convertible Bonds are transferable, except to connected persons (as defined in the Listing Rules) of the Company. The Convertible Bonds may be transferred by delivering the Convertible Bond Certificates issued in respect of such Convertible Bonds. No transfer of title to any Convertible Bonds will be effective unless and until entered on the register for the holders of the Convertible Bonds.

General Mandate

The Conversion Shares will be allotted and issued pursuant to the General Mandate. As at the date of this announcement, the Company has utilised approximately 41.21% of the General Mandate. The 641,176,470 Conversion Shares to be allotted and issued upon full exercise of the Conversion Rights, will further utilise approximately 52.84% of the General Mandate. Therefore, the number of the Conversion Shares will not exceed the authorisation under the General Mandate. Accordingly, the issue of the Conversion Shares will not be subject to the approval of the Shareholders.

Application for listing

No application is made for a listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will make an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Shareholding Structure

As at the date of this announcement, the Company has 6,066,920,085 Shares in issue. The shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the full exercise of the Conversion Rights (assuming that there will be no further changes in the total number of Shares in issue prior to such exercise and no adjustment to the Conversion Price) are as follows:

Shareholders	As at the date of this announcement		Immediately after the full exercise of the Conversion Rights	
	<i>Number of Shares</i>	<i>% of shareholdings (Approximately)</i>	<i>Number of Shares</i>	<i>% of shareholdings (Approximately)</i>
Mr. Meng	383,853,513	6.33	383,853,513	5.72
Mr. Wu Jiwei (Note 1)	264,000	0.01	264,000	0.01
China Huajun Group Limited (中國華君集團有限公司) (Note 2)	4,067,444,500	67.04	4,067,444,500	60.63
Jian Xing International Group Limited (建興國際集團有限公司) (Note 3)	53,571,429	0.88	53,571,429	0.80
Forest Tree Limited (Note 4)	133,264,500	2.20	133,264,500	1.99
The Investors	0	0.00	641,176,470	9.56
Other public Shareholders	<u>1,428,522,143</u>	<u>23.54</u>	<u>1,428,522,143</u>	<u>21.29</u>
Total :	<u>6,066,920,085</u>	<u>100.00</u>	<u>6,708,096,555</u>	<u>100.00</u>

Certain percentage figures included in the above table have been subject to rounding adjustments.

Notes:

1. Mr. Wu Jiwei is an executive Director and the chief executive officer of the Company.
2. China Huajun Group Limited (中國華君集團有限公司) is beneficially owned by Huajun Real Estate (Gaoyou) Co., Ltd.* (華君置業(高郵)有限公司) which is wholly owned by Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司). Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司) was owned as to 97.0% by Mr. Meng and 3.0% by Ms. Bao Le, the spouse of Mr. Meng.
3. Jian Xing International Group Limited (建興國際集團有限公司) is wholly owned by Jian Xing International Development Limited (建興國際發展有限公司), which is in turn wholly owned by Jian Xing International Limited (建興國際有限公司), which is wholly owned by Mr. Meng.
4. Forest Tree Limited is wholly owned by Mr. Wu Jiwei.

FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any other equity fund-raising activities in the past twelve months immediately preceding the date of this announcement.

INFORMATION ON THE INVESTORS

Each of the Investors is a company incorporated with limited liability under the laws of Hong Kong. The principal activity of each of the Investors is investment in securities.

INFORMATION ON THE GROUP

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; (iii) finance lease; (iv) provision of finance; (v) property development and investments; (vi) securities investments; (vii) manufacturing and sales of industrial equipment; and (viii) manufacturing and sales of photovoltaic products.

REASONS AND BENEFITS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Board believes that the raising of funds by the Subscription is to the benefit of the Group taking into account the significance of the demonstration of confidence of the Investors and is an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for future development without immediate dilution effect on the shareholding of the existing Shareholders.

The Subscription represents an opportunity to raise funds for the Company. In particular, (i) if the Conversion Rights are exercised, further funds will be raised for general working capital; (ii) there is no immediate dilutive effect on the shareholding of the existing Shareholders; and (iii) if the Conversion Rights are exercised, it will benefit the long-term business development of the Group by broadening the capital base of the Company.

Accordingly, having considered that the terms of the Subscription Agreements (including the Subscription Prices and Conversion Price) are on normal commercial terms or better following arm's length negotiations between the Company and the Investors and are fair and reasonable, the Board considers that the Subscription Agreements and the Subscription is in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the issue of the Convertible Bonds will be HK\$218,000,000. The expected net proceeds from the issue of the Convertible Bonds of approximately HK\$217,700,000 will be used for settlement of progress payment for the Group's property development project in respect of the Bao Hua Financial Centre* (保華金融中心), a property wholly-owned by the Group and situated in Dalian City, the PRC.

GENERAL

The Closing is subject to the satisfaction and/or waiver of the Conditions Precedent.

As the Subscription may or may not proceed, and the Convertible Bonds and/or the Conversion Shares may or may not be issued, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

The issue of Convertible Bonds may invoke certain adjustments to the conversion prices of the Outstanding Convertible Bonds. The Company will make further announcement(s) in respect of such adjustments as and when appropriate in accordance with the Listing Rules.

DEFINITIONS

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

“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;
“Closing”	the closing of each of the Subscription Agreements or, where the context so admits or requires, the performance by the Parties of their respective obligations under the Subscription Agreements;
“Closing Date(s)”	the date(s) fixed for Closing
“Company”	Huajun Holdings Limited (stock code: 00377), a company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Conditions Precedent”	the conditions precedent set out in the Subscription Agreements;
“Conversion Price”	the price at which a Share will be issued upon conversion of the Convertible Bonds into Shares;

“Conversion Rights”	the rights of a Convertible Bondholder to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Shares subject to and in accordance with the terms and conditions of the Convertible Bond Instruments;
“Conversion Shares”	the Shares issuable upon the exercise of the Conversion Rights attached to the Convertible Bonds;
“Convertible Bond (I)”	10% fixed coupon convertible bond for an aggregate principal amount of HK\$118,000,000 in registered form to be issued by the Company in accordance with the Subscription Agreement (I) and constituted by the Convertible Bond Instrument (I) or, as the context may require, any number of them;
“Convertible Bond (II)”	10% fixed coupon convertible bond for an aggregate principal amount of HK\$100,000,000 in registered form to be issued by the Company in accordance with the Subscription Agreement (II) and constituted by the Convertible Bond Instrument (II) or, as the context may require, any number of them;
“Convertible Bonds”	Convertible Bond (I) and Convertible Bond (II);
“Convertible Bond Certificates”	the bond certificates (in registered form) to be issued in respect of the Subscription;
“Convertible Bond Instrument (I)”	the instrument to be executed by the Company by way of a deed poll constituting the Convertible Bond (I) and any other document executed in accordance with and/or supplemental to such instrument;
“Convertible Bond Instrument (II)”	the instrument to be executed by the Company by way of a deed poll constituting the Convertible Bond (II) and any other document executed in accordance with and/or supplemental to such instrument;

“Convertible Bond Instruments”	Convertible Bond Instrument (I) and Convertible Bond Instrument (II);
“Convertible Bondholder”	a person in whose name any of the Convertible Bonds is registered in the register of the holders of Convertible Bonds;
“Director(s)”	director(s) of the Company;
“General Mandate”	the authority granted by the Shareholders to the Board to issue Shares of not more than 20% of the then issued share capital of the Company at the annual general meeting of the Company held on 30 August 2017;
“Group”	the Company and its subsidiaries, and a “Group Company” means any of them;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	person or company which is independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules);
“Investor (I)”	CEFC Futures Group (Hong Kong) Financial Holdings Limited (華信期貨集團(香港)金融控股有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party;
“Investor (II)”	CEFC (HK) Financial Holdings Limited (華信(香港)金融控股有限公司), a company incorporated in Hong Kong with limited liability and an Independent Third Party;
“Investors”	Investor (I) and Investor (II);
“Issue Date”	the date of issue of each of the Convertible Bonds;

“Last Trading Day”	13 December 2017, being the last trading day immediately before signing of the Subscription Agreements;
“Listing Committee”	the Listing Committee of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Material Adverse Effect”	(i) a material adverse effect on (a) the assets, liabilities, condition (financial or other), business, prospects, general affairs, results of operations or properties of the Group taken as a whole, (b) the ability of the Company, any of its subsidiaries or any relevant Party (other than the Investors) (if applicable) to perform its/his obligations under any of the Transaction Documents, or (c) the validity or enforceability of any of the Transaction Documents; or (ii) an effect which is otherwise material in the context of the transactions contemplated under the Transaction Documents;
“Maturity Date”	the last day of the term of three (3) year commencing from and including the Issue Date or any such other date as mutually agreed to in writing between, and shortened or extended by, the Company and the Convertible Bondholder(s);
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial Shareholder of the Company;
“Outstanding Convertible Bonds”	the convertible bond to be issued by the Company to Power Ace Investments Limited in the principal amount of HK\$30,000,000 and the convertible bonds issued by the Company, maturing on (i) 7 June 2018 in the outstanding principal amount of HK\$200,000,000; (ii) 7 May 2018 in the outstanding principal amount of HK\$100,000,000; and (iii) 25 October 2018 in the outstanding principal amount of HK\$350,000,000 as at the date of this announcement;
“Parties”	the Company and the respective Investors and “Party” means any one of them;

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the issue of each of the Convertible Bonds by the Company to the respective Investors pursuant to the respective Subscription Agreements;
“Subscription Agreement (I)”	the subscription agreement dated 13 December 2017, entered into between the Company and Investor (I) in relation to the issue of Convertible Bond (I) by the Company;
“Subscription Agreement (II)”	the subscription agreement dated 13 December 2017, entered into between the Company and the Investor (II) in relation to the issue of Convertible Bond (II) by the Company;
“Subscription Agreements”	Subscription Agreement (I) and Subscription Agreement (II);
“Subscription Prices”	the principal values of the respective Convertible Bonds;
“Transaction Documents”	the Subscription Agreements, the Convertible Bond Instruments and any other documents relating to the transactions contemplated therein which may be entered into from time to time;

