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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Huajun Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF
LIAONING BAO HUA PROPERTIES DEVELOPMENT CO., LIMITED**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**

A notice convening the special general meeting of the Company (the “SGM”) to be held at 3:00 p.m. on Tuesday, 23 February 2016 at Conference Room, 36/F, Citibank Tower, 3 Garden Road, Central, Hong Kong is set out on pages 152 to 153 of this circular. A letter from Independent Financial Adviser containing its advice to the Independent Shareholders is set out on pages 26 to 65 of this circular.

Whether or not you are able to attend and vote at the SGM in person, you are requested to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar, Union Registrars Limited, at A18th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

* For identification purpose only

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DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of the Target Group during the Reporting Period, the text of which is set out in Appendix II to this circular
“Acquisition”	the acquisition in relation to the Target Equity Interest pursuant to the terms and conditions of the Sale and Purchase Agreement
“Announcement”	the announcement of the Company dated 7 October 2015 relating to the Acquisition
“associate”	has the meaning ascribed to it under the Listing Rules
“Baohua Dalian”	Bao Hua Properties (Dalian) Co., Ltd.* (保華地產(大連)有限公司), a limited liability company established in the PRC
“Baohua Yingkou”	Bao Hua Properties (Yingkou) Real Estate Co., Ltd.* (保華地產(營口)置業有限公司), a limited liability company established in the PRC
“Baohua Yipin”	Bao Hua Yipin Properties (Dalian) Co., Ltd.* (保華一品地產(大連)有限公司), a limited liability company established in the PRC, which will cease to be a subsidiary of the Target Company before Completion, as one of the Conditions
“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
“Carve-out Companies”	subsidiaries of the Target Company, other than Baohua Dalian, Baohua Yingkou and Royal Lakes Garden
“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”	the 40th Business Day immediately following the date that all of the Conditions having been satisfied or waived but not later than the Conditions Fulfillment Date

DEFINITIONS

“Conditions”	the conditions precedent of the Completion, details of which are set out in the paragraph headed “Conditions Precedent” of this circular
“Condition Fulfillment Date”	30 June 2016 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 Vendor for the Target Equity Interest, being RMB750 million (equivalent to approximately HK\$915 million)
“Consideration Shares”	400,000,000 new Shares to be allotted and issued to the Vendor at HK\$1.50 per Share for the settlement of the Consideration; and “Consideration Share” means any one of them
“Dalian Taiyuan”	Dalian Tai Yuan Real Estates Development Co., Ltd* (大連泰元房地產開發有限公司), a limited liability company established in the PRC, which will cease to be a subsidiary of the Target Company before Completion, as one of the Conditions
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition
“Group”	the Company and its subsidiaries
“HHGL”	Hua Jun Holding Group Co. Ltd* (華君控股集團有限公司), a limited liabilities company incorporated in the PRC, directly held by Mr. Meng and Madam Bao Le, being a spouse of Mr. Meng, as to 97.5% and 2.5%
“HIL”	Huajun International Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of the Company, which was wholly-owned by Huajun Holdings Group Limited, as of the Latest Practicable Date. Huajun Holdings Group Limited is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng is the sole director of Huajun International Limited.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board formed by the Company, comprising of all its independent non-executive Directors, established for the purpose of advising the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole
“Independent Financial Adviser”	Wallbank Brothers Securities (Hong Kong) Limited, a corporation licensed under the SFO to conduct Type 4 (Advising on Securities), Type 6 (advising on corporate finance) and Type 9 (Asset Management) of the regulated activities, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement
“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 its connected person(s)
“Independent Shareholders”	Shareholders, other than Mr. Meng and his associates (as defined under the Listing Rules and including HIL), independent of and who have no interest in the Acquisition and the transactions contemplated thereunder
“Issue Price”	HK\$1.50, being the issue price per Consideration Share
“Latest Practicable Date”	27 January 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this circular
“Last Trading Date”	7 October 2015, being the last trading day immediately before the entering into the Sale and Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Guo”	Mr. Guo Song (郭頌), the deputy chief executive officer and an executive Director of the Company
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder of the Company, who indirectly own 77.5% equity interest of the Vendor

DEFINITIONS

“Mr. Wu”	Mr. Wu Jiwei (吳繼偉), the chief executive officer and an executive Director of the Company
“PRC”	the People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a limited liabilities company incorporated in the PRC, indirect wholly-owned subsidiary of the Company
“Reporting Period”	the three financial years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015
“Reorganisation”	reorganisation to be conducted prior to Completion, details of which are set out in the paragraph headed “Reorganisation” of this circular
“Royal Lakes Garden”	Yingkou Royal Lakes Garden Health and Wellness Centre Co. Ltd* (營口御水碧園健康養生中心有限公司), a limited liabilities company incorporated in the PRC, indirect wholly-owned subsidiary of the Target Company, its registered capital is RMB10 million (equivalent to approximately HK\$12.2 million) which has not yet been paid
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 7 October 2015, including its amendments or replacement, entered into between the Vendor 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 convened to consider and approve the Acquisition and the issue of the Consideration Shares under the Specific Mandate
“Shareholders”	the holders of Shares of the Company
“Shares”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the SGM to approve the issue and allotment of the Consideration Shares in accordance with the terms and conditions of the Sale and Purchase Agreement

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Liaoning Bao Hua Properties Development Co., Ltd.* (遼寧保華房地產開發有限公司), a limited liability company established in the PRC
“Target Equity Interest”	the entire equity interest in the Target Company with paid up capital of RMB20 million (equivalent to approximately HK\$24.4 million)
“Target Group”	collectively, the Target Company, Baohua Dalian, Baohua Yingkou and Royal Lakes Garden
“Vendor”	Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司), a limited liability company established in the PRC, which is indirectly owned by Mr. Meng as to 77.5% and directly owned by an Independent Third Party as to 22.5%
“Yingkou Dingcheng”	Yingkou Ding Cheng Real Estates Development Co., Ltd* (營口鼎誠房地產開發有限公司), a limited liability company established in the PRC, which will cease to be a subsidiary of the Target Company before Completion, being one of the Conditions
“%”	per cent
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq.m”	square meter

* For identification purposes only

For the purposes of illustration only, any amount denominated in RMB in this circular was translated into HK\$ at the rate of RMB1 = HK\$1.22. 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.

In case of inconsistency, the English text of this circular shall prevail over its Chinese text.

LETTER FROM THE BOARD



HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

Executive Directors:

Mr. Meng Guang Bao (*Chairman*)

Mr. Wu Jiwei (*Chief Executive Officer*)

Mr. Guo Song (*Deputy Chief Executive Officer*)

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Mr. Zheng Bailin

Mr. Shen Ruolei

Mr. Pun Chi Ping

Head office and principal place

of business in Hong Kong:

36/F, Citibank Tower,

Citibank Plaza,

3 Garden Road,

Central,

Hong Kong

1 February 2016

To the Shareholders and for information only,

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF
LIAONING BAO HUA PROPERTIES DEVELOPMENT CO., LIMITED***

INTRODUCTION

Reference is made to the Announcement in respect of the Acquisition. The Acquisition constitutes a major and connected transaction of the Company under the Listing Rules.

On 7 October 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 Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire the Target Equity Interest at the Consideration of RMB750 million, which is equivalent to HK\$915 million, HK\$315 million of which will be paid in cash and the remaining HK\$600 million will be settled by the allotment and issue of the Consideration Shares at HK\$1.50 each.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders relating to the Acquisition; (iii) the financial information of the Group; (iv) the accountant's report on the financial information of the Target Group; (v) the unaudited pro forma financial information on the Enlarged Group; (vi) such other information of the Company; and (vii) the notice of the SGM together with the proxy form.

SALE AND PURCHASE AGREEMENT

Date: 7 October 2015

Parties:

- (i) B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), an indirect wholly-owned subsidiary of the Company, as the Purchaser
- (ii) Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司), a limited liability company established in the PRC, as the Vendor

As at the Latest Practicable Date, the Vendor is an associate (as defined under the Listing Rules) of Mr. Meng, who is also the chairman and the executive Director of the Company and a substantial shareholder (as defined in the Listing Rules) of the Company. The Vendor is therefore a connected person of the Company under the Listing Rules.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Target Equity Interest, representing the entire equity interest of the Target Company. As at the Latest Practicable Date, and as informed by the Vendor, the Target Group consists of various subsidiaries that participate in the development of property projects and project investments.

Pursuant to the Sale and Purchase Agreement, only the Target Group, that is, the Target Company and its subsidiaries upon Completion, namely Baohua Dalian, Baohua Yingkou, Royal Lakes Garden and certain properties developments operated by the Target Company and Baohua Yingkou as specified in the Sale and Purchase Agreement will be acquired by the Purchaser, while all other current subsidiaries of the Target Company will cease from being the subsidiaries of the Target Company prior to the Completion, which is one of the Conditions, details of which are set out in the paragraphs headed "Conditions Precedent" and "Reorganisation" of this circular.

Upon Completion, the Target Group will become the indirectly wholly-owned subsidiaries of the Company and their financial results will be consolidated into the financial results of the Group.

Consideration

The Consideration of the Acquisition is RMB750 million, which is equivalent to approximately HK\$915 million.

LETTER FROM THE BOARD

On Completion Date, the Company will make the payment of the Consideration to the Vendor or the nominee of the Vendor for the Target Equity Interest in the following manners:

- (i) HK\$315 million will be paid in cash; and
- (ii) HK\$600 million will be settled by the allotment and issue of the Consideration Shares at HK\$1.50 each.

The Consideration was determined by arm's length negotiations between the Purchaser and the Vendor based on normal commercial terms with reference to (i) the registered capital of the Target Company; (ii) the unaudited net asset value of the Target Group of RMB21.32 million (equivalent to HK\$26.01 million) as at 31 August 2015; (iii) the preliminary valuation of the land and properties owned by the Target Group, which amounted to approximately RMB860 million (equivalent to approximately HK\$1,049.2 million) as at 31 August 2015; and (iv) the original acquisition cost of the Target Group incurred by the Vendor as at the date of the Announcement, which amounted to approximately RMB543.7 million (equivalent to HK\$663.3 million).

Pursuant to the Sale and Purchase Agreement, the Purchaser only acquired the asset of the Target Company, save and except the Deposits Received (as defined below in the paragraph headed "Conditions Precedent") received by the Target Group, all liabilities of the Target Group shall be borne by the Vendor. As at the date of the Announcement, the total unaudited asset of the Target Group was in the value of approximately RMB760 million (equivalent to HK\$927.2 million).

The original acquisition cost of the Target Group as at the date of the Announcement was only mainly referred to the properties which are accounted in the Accountants' Report as (i) "investment properties" for the properties for rental; and (ii) "properties under development and properties held for sale", while in addition to the said properties, the total assets of the Target Company also include other receivables and property, plant and equipment. Therefore, the original acquisition cost of the Target Group as of the date of the Announcement was less than the Consideration.

After taking into account of the above, the Board is of the view that the Acquisition is fair and reasonable.

The Consideration Shares will be allotted and issued at the Issue Price of HK\$1.50 each under the Specific Mandate, which represents:

- (a) a premium of approximately 25% over the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on Last Trading Date;
- (b) a premium of approximately 25.84% over the average closing price of HK\$1.192 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date;
- (c) a premium of approximately 61.29% to the closing price of HK\$0.93 per Share on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 275% to the Company's net asset value attributable to the shareholders of the Company of HK\$0.4 per Share as at 31 March 2015.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor. The Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) consider that the Issue Price is fair and reasonable and on normal commercial terms.

The Consideration Shares to be allotted and issued represent approximately 10.15% of the existing issued share capital of the Company as at the Latest Practicable Date and represent approximately 9.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

LETTER FROM THE BOARD

Initially, the Board had considered either settling the entire Consideration all by issue of shares or entire in cash. However, after the Board balancing the advantage of the minimization of cash outflow and the dilution of Shareholders shareholding and arm-length negotiation between the parties, it is agreed that part of the Consideration to be paid by Consideration Shares at the Issue Price at premium because the Vendor has confidence on the growth of Company's business and development and believes that the price of the Shares will gradually increase on long run. The management of the Company is in view that as (i) the Issue Price represents a substantial premium over the Company's various average closing prices and latest published net asset value price as stated above; and (ii) the payment method of issuing the Consideration Shares will maintain financial position of the Company, to the best knowledge of the Directors, the Directors consider the issue of Consideration Share is financially beneficial to the Company.

As illustrated by the table below under the paragraph headed "EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY", the shareholding interests of the existing public Shareholders in the Company will be diluted from approximately 41.34% as at the Latest Practicable Date to approximately 37.53% immediately after the Completion and issue of Consideration Shares, assuming all outstanding share options granted by the Company have not been exercised and the Shares falling to be issued by the Company under the transaction have not been completed and issued. Although the issue of Consideration Shares will result a dilution effect of the existing Shareholders' interests, which is minimal, the overall benefit of such issue will outweigh the minimal dilution effect on the shareholding interests of the public Shareholders.

Accordingly, the Board (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) is of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

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

- (a) Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares;
- (b) the passing of the resolution(s) by the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM, including but not limited to, the allotment and issue of Consideration Shares to the Vendor or the nominee of the Vendor;
- (c) the Vendor is the legal and beneficial owner of the Target Equity Interest, which is not subject to any encumbrances and third parties' rights;
- (d) save and except the properties rental and purchase deposits ("**Deposits Received**") received by the Target Group, all liabilities of the Target Group shall be borne by the Vendor and the Target Group does not owe any loan and/or liabilities to any other third parties;

LETTER FROM THE BOARD

- (e) the bank account of the Target Company has sufficient fund to repay the Deposits Received;
- (f) the Vendor and/or relevant owner, namely, Liu Yanchao (劉艷超), the then shareholder of Baohua Yingkou, has completed the transfer of the ownership of certain properties as set out in the Sale and Purchase Agreement to the Target Company and the Vendor and/or relevant owner shall bear all tax incurred due to the said transfer (including but not limited to the tax to be liable by the Purchaser and/or the Target Group, if any);
- (g) the acquisition of the entire Target Equity Interest shall be completed simultaneously in compliance with the applicable PRC laws and to the satisfaction of the Purchaser;
- (h) the Purchaser has been satisfied with the result of the due diligence review of the Target Group (including but not limited to the review on the indebtedness of the Target Group);
- (i) the Reorganisation has been completed to the satisfaction of the Purchaser;
- (j) the management of Target Group shall not have done any act which may have negative impact on the businesses, assets, properties, financial conditions, operations and future prospects of the Target Group on or prior to Completion; and all warranties shall be accurate and true in all respects as at the Completion Date;
- (k) the Vendor has obtained all necessary third party consents, approvals, authorisations, waivers, permission and certifications in relation to the transactions contemplated under the Sale and Purchase Agreement and other relevant matters; and
- (l) the representations, warranties and undertakings given by the Vendor (the “**Warranties**”) have remained true, accurate and not misleading in all material respects and there have been no breach of any of the Warranties in any respect by the Vendor.

Save and except Conditions (a), (b) and (c), all other Conditions are capable of being waived by the Purchaser, based on the rights as provided in the Sale and Purchase Agreement, at its discretion in writing to the Vendor. As of the Latest Practicable Date, the Company and the Purchaser do not have any intention to waive any of the Conditions. If any of the Conditions have not been fulfilled or waived (as the case may be) by the Conditions Fulfillment Date, the Sale and Purchase Agreement shall lapse and have no further effect. The Vendor shall refund all amounts (if any) previously received from the Purchaser without interest to the Purchaser forthwith. Upon the due receipt of the said payment by the Purchaser, none of the parties shall make any claims against the other party pursuant to the terms and conditions of the Sale and Purchase Agreement.

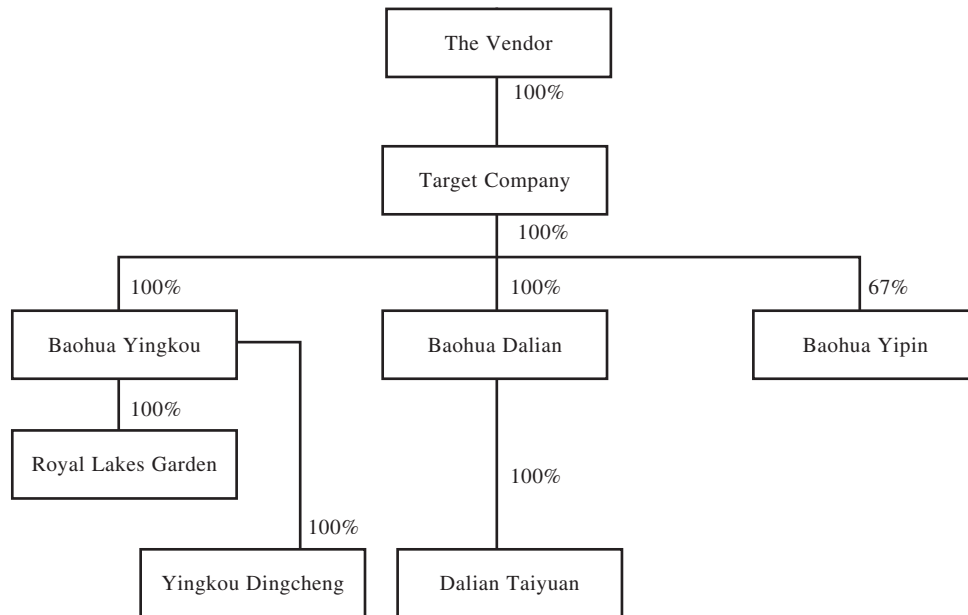
As at the Latest Practicable Date, the above Conditions (c), (e), (h) and (k) have been satisfied.

LETTER FROM THE BOARD

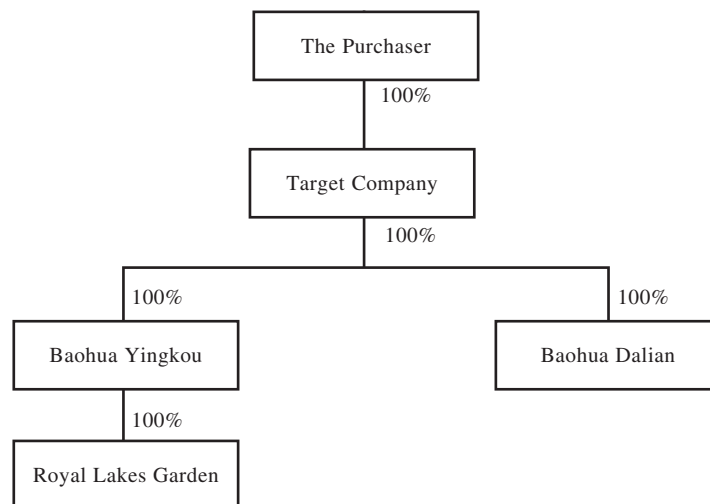
Reorganisation

Pursuant to the Sale and Purchase Agreement, being one of the Conditions, the Target Company and its subsidiaries will undergo the Reorganisation prior to Completion, under which all subsidiaries of Target Company, except Baohua Dalian, Baohua Yingkou, Royal Lakes Garden and certain properties developments operated by the Target Company and Baohua Yingkou as specified in the Sale and Purchase Agreement, will be transferred out of the Target Group.

The corporate structure of the Target Group and its then subsidiaries as of the date of the Sale and Purchase Agreement are shown as in the simplified chart below:



The shareholding structure of the Target Group that is expected to be immediately after Completion is as set out in the simplified chart below:



LETTER FROM THE BOARD

Pursuant to the Sale and Purchase Agreement, one of the Conditions was that all liabilities of the Target Group shall be borne by the Vendor and the Target Group does not owe any loan and/or liabilities to any other third parties, save and except the Deposits Received, which is approximately RMB1 million (equivalent to approximately HK\$1.22 million). Therefore, the Company is confident that after the Reorganisation and the fulfillment of the Conditions set out in the Sale and Purchase Agreement, the Target Group will remain in a net current asset position and based on the current level of bank balances, facilities availabilities, cash flows to be generated from existing operations of the Company and the resources of the Enlarged Group, the Target Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future.

The principal activities of the Carve-out Companies are as follows:

1. Yingkou Dingcheng – property development;
2. Baohua Yipin – property development and sale; and
3. Dalian Taiyuan – property development, sale and management.

Although the principal activities of the Carved-out Companies are also property development, the Purchaser has not included the Carve-out Companies in the Acquisition because the Company considered that the businesses of the Carved-out Companies were not attractive as their assets are not as valuable to the Company as those under the Acquisition. Therefore, for the benefit of the Company and the Shareholders as a whole, the Company decided not to acquire the Carved-out Companies for the Acquisition.

The Accountants' Report on the Target Group

In the Accountants' Report, the financial information of the Target Group includes the results of the Target Company, Baohua Dalian, Baohua Yingkou and Royal Lakes Garden, excludes the results of the Carve-out Companies. As described above, only the Target Group, which formed a part of the larger group of Target Company and all of its subsidiaries (collectively the "**Overall Group**") during the Reporting Period, will be the subject of the Acquisition. The financial information of the Target Group included in the Accountants' Report is prepared to present the results of the Target Group during the Reporting Period on a carve-out basis, rather than to present the financial information of the Overall Group prepared on an overall group approach which would include historical financial information of the Carve-out Companies.

While Hong Kong Financial Reporting Standards do not provide any explicit guidance on the preparation and presentation of carve-out financial statements, the accounting standards do not prohibit such basis of preparation of financial information. When preparing the financial information of the Target Group to be included in the Accountants' Report, the Company has made reference to Standards for Investment Reporting 2000 (Revised), Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information issued by The Auditing Practices Board of the Financial Reporting Council of the United Kingdom, which provides, inter alia, that where a business has formed part of a larger group but has not been accounted for separately, it may be desirable to present a separate track record for that business, derived from the records of the overall group.

In compiling the financial information of the Target Group set out in the Accountants' Report, the Directors considered that it is more appropriate to present the financial information of the Target Group during the Reporting Period on a "carve-out" basis, rather than to present the financial information of the Overall Group prepared on an overall approach due to the following reasons:

- There are clearly identifiable assets, liabilities, revenue and expenditures of the Target Group and of the Carve-out Companies respectively.
- It is practicable to identify the historical financial information attributable to the Target Group's business given that the accounting books and records of the Target Group are maintained separately from the accounting books and records of the Carve-out Companies.

LETTER FROM THE BOARD

- The Carve-out Companies do not form part of the assets to be acquired by the Company under the Acquisition and hence their historical financial information is not relevant to the trading record of the business proposed to be acquired. The Directors believe that presenting the consolidated financial information of the Overall Group, which would include the results of Carve-out Companies that are not the subject of the Acquisition, would provide irrelevant and potentially misleading financial information to the Independent Shareholders and investors.
- Presenting the financial information of the Target Group on a “carve-out” basis would provide more direct and relevant information to the Shareholders and investors.
- The consolidated financial information of the Overall Group had never been prepared by management of the Target Group on a standalone basis.

Completion

Completion of the Acquisition, subject to all of the Conditions having been satisfied and/or waived (as the case may be), shall take place on the 40th Business Days immediately following the satisfaction and/or waiver (as the case may be) of all of the Conditions or such dates as agreed by the Vendor and the Purchaser.

Pursuant to the Sale and Purchase Agreement, within 30 Business Days immediately after signing of the Sale and Purchase Agreement, the Vendor shall conduct and complete the registration in respect of the change of ownership of the Target Equity Interest to the Purchaser and the change of the legal representative, director(s), supervisor(s), business registration certificate, tax registration permit* (稅務登記証) and Organization Code Certificate* (組織機構代碼證).

Upon Completion, the Target Group will become the indirectly wholly-owned subsidiaries of the Company and their financial results will be consolidated into the financial results of the Group.

At the signing of the Sale and Purchase Agreement, the Company expected to despatch the circular by the end of 2015 so by the time that the SGM is held and all other Conditions are fulfilled and/or waived, it will be around the Chinese Lunar New Year. Normally, in the PRC, and so as in Hong Kong, the government authorities would be very busy because many officers would have already started or prolonged their vacation before or after the Chinese Lunar New Year, thus the progress of the applications would be slower around such time even on Business Days.

With the anticipated slow work pace in the government authorities, the Company sets a prolonged Completion Date so that in the event that there is any matters needed to follow up with the government authorities, such as registration and administrative issues for the transfer of the equity interest in the Target Group, more time will be available for dealing with such matters before the Completion Date, when the Company needs to settle the Consideration fully.

Further, the Company will have more flexibility in term of time to settle the cash consideration.

LETTER FROM THE BOARD

INFORMATION OF THE VENDOR AND THE TARGET GROUP

Overview

The Vendor is a limited liabilities company incorporated in the PRC and, as advised by the Vendor, is principally engaged, inter alia, in production of hydraulic products and couplers. The Vendor is directly owned as to 22.5% by an Independent Third Party and indirectly owned as to 77.5% by Mr. Meng.

The Target Group comprises the Target Company and its subsidiaries, namely Baohua Dalian, Baohua Yingkou and Royal Lakes Garden, but excluding the Carve-Out Companies.

The Target Company is a limited liabilities company incorporated in the PRC and is principally engaged, inter alia, in properties development business. The Target Company is directly wholly-owned by the Vendor, which is in turn owned as to 22.5% and 77.5% by an Independent Third Party and Mr. Meng respectively.

Baohua Dalian is a limited liabilities company incorporated in the PRC and is principally engaged in investment holdings. As at the Latest Practicable Date, Baohua Dalian is directly wholly-owned by the Target Company, which is in turn indirectly wholly-owned by the Vendor and indirectly owned as to 77.5% by Mr. Meng.

Currently, Baohua Dalian is an investment holding company and has no material assets. After Completion, the Company may use it as a vehicle to hold property development projects.

Baohua Yingkou is a limited liabilities company incorporated in the PRC and is principally engaged in properties development, renovation and trading of construction material. As at the Latest Practicable Date, Baohua Yingkou is directly wholly-owned by the Target Company, which is in turn indirectly wholly-owned by the Vendor and owned as to 77.5% by Mr. Meng.

Currently, Baohua Yingkou is an investment holding company holding Royal Lakes Garden and other landed properties (as disclosed under the paragraph below headed “Properties owned by the Target Group”) which are currently occupied and operated by Royal Lakes Garden. After Completion, Baohua Yingkou will continue holding Royal Lakes Garden as an investment and other landed properties which are currently occupied and operated by Royal Lakes Garden. Baohua Yingkou will also continue selling those completed but unsold units of apartments and/or villas and/or car parking space of Royal Lakes Garden Residence held by it.

Royal Lakes Garden is a limited liabilities company incorporated in the PRC and is principally engaged in the provision of food service, commercial service and accommodation. Its registered capital is RMB10 million (equivalent to approximately HK\$12.2 million) which has not yet been paid. As at the Latest Practicable Date, Royal Lakes Garden is directly wholly-owned by Baohua Yingkou, which is in turn indirectly wholly-owned by the Vendor and owned as to 77.5% by Mr. Meng.

Currently, Royal Lakes Garden is operating a club house which provides services including food and beverage, sauna and spa. Upon completion of the Acquisition, it will continue the said business.

The capital requirement in relation to the Group’s future plan for the Target Group will be approximately RMB5,000,000 (equivalent to HK\$6,100,000) being the balance for the construction cost of property development of Royal Lakes Garden Residence, which will be funded by the internal resources of the Group.

Based on the current level of bank balances, facilities availabilities, cash flows to be generated from existing operations of the Company and the resources of the Enlarged Group, it is expected that the Enlarged Group will have sufficient working capital for the next 12 months from the Latest Practicable Date.

LETTER FROM THE BOARD

Properties owned by the Target Group

(i) For investment purpose

	Property	Owner of the Property	Usage	Gross floor area (sq.m.)
1.	Royal Lakes Garden Health Care Center, Wang'ershan Avenue, Bayuquan District, Yingkou City, Liaoning Province, the PRC (中華人民共和國遼寧省營口市鮫魚圈區望兒山大街禦水碧園健康養生中心)	Baohua Yingkou	commercial	approximately 14,003.00
2.	Three ancillary buildings located at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC (位於中華人民共和國遼寧省營口市熊岳鎮金燦花園的三棟附屬建築)	Baohua Yingkou	commercial	approximately 2,072.25
3.	Jinfeng Guesthouse, Sanjaizi Community, Bayuquan District, Yingkou City, Liaoning Province, the PRC (中華人民共和國遼寧省營口市鮫魚圈區三家子社區金峰賓館)	704.16 sq.m by Target Company 1326.60 sq.m currently by Liu Yanchao (劉艷超), the then shareholder of Baohua Yingkou, but according to Condition (f) of the Sale and Purchase Agreement, the Vendor and/or Liu Yanchao (劉艷超) shall complete the transfer of the ownership to the Target Company	commercial	approximately 2,030.76
4.	Medical Building, The middle of Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province, the PRC (中華人民共和國遼寧省營口市鮫魚圈區昆侖大街中段醫藥大廈)	Target Company	composite	approximately 5,686.56

LETTER FROM THE BOARD

	Property	Owner of the Property	Usage	Gross floor area (sq.m.)
5.	Unsold units in the completed groups of Royal Lakes Garden Residence, Bayuquan District, Yingkou City, Liaoning Province, The PRC (中華人民共和國遼寧省營口市鮫魚圈區禦水碧園內多個已完工洋房、別墅及停車位)	Baohua Yingkou	residential	approximately 36,522.32

(ii) For future development

	Property	Owner of the Property	Usage	Gross floor area (sq.m.)
6.	A parcel of land located at Hot Spring Village, Xiong Yue Town, Bayuquan District, Yingkou City, Liaoning Province, The PRC (位於中華人民共和國遼寧省營口市鮫魚圈區熊岳鎮溫泉村的一幅土地)	Baohua Yingkou	residential	approximately 30,395

FINANCIAL INFORMATION OF THE TARGET GROUP

The audited financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2013 and 2014 and for the eight months ended 31 August 2015 are summarized as follows:

	For the year ended 31 December 2013 (RMB' 000)	For the year ended 31 December 2014 (RMB' 000)	For the eight months ended 31 August 2015 (RMB' 000)
Net profit before taxation	22	38,335	64,299
Net (loss)/profit after taxation	(5,434)	25,936	50,602
Net assets	33,846	59,782	110,384

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Consideration Shares. The Consideration Shares, when allotted and issued, will rank pari passu in all respects with the existing Shares in issue.

The Specific Mandate

The Consideration Shares comprising 400,000,000 Shares will be allotted and issued pursuant to the Specific Mandate to be sought at the SGM.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 3,939,020,085 Shares in issue. The shareholding interests of the Company as at (i) the Latest Practicable Date; and (ii) immediately after the Completion and issue of Consideration Shares, assuming all of the outstanding share options granted by the Company have not been exercised and the Shares falling to be issued by the Company under other transaction have not been completed and issued:

	(i) as at the Latest Practicable Date		(ii) immediately after the Completion and issue of Consideration Shares, assuming all of the outstanding share options granted by the Company have not been exercised and the Shares falling to be issued by the Company under other transaction have not been completed and issued	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Substantial Shareholder:				
HIL (<i>Note 1</i>)	2,250,082,214	57.13%	2,250,082,214	51.86%
Vendor or its nominee (<i>Note 2</i>):			400,000,000	9.22%
Sub-total:				61.08%
Public Shareholders:	1,628,507,500	41.34%	1,628,507,500	37.53%
Mr. Meng:	60,430,371	1.53%	60,430,371	1.39%
Total:	<u>3,939,020,085</u>	<u>100.00%</u>	<u>4,339,020,085</u>	<u>100.00%</u>

Notes:

- (1) The 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng and Madam Bao Le, being a spouse of Mr. Meng, held 97.5% and 2.5% respectively in HHGL. Mr. Meng was deemed to be interested in all Shares held by HIL by virtue of the SFO.
- (2) The 400,000,000 Shares will be beneficially owned by the Vendor, which is indirectly owned by Mr. Meng as to 77.5% and directly owned by an Independent Third Party as to 22.5%, or its nominee.

As depicted by the above table, as at the Latest Practicable Date, the shareholding interests of (i) HIL would be diluted from approximately 57.13% to approximately 51.86% and (ii) the existing public Shareholders (except Mr. Meng) of the Company would be diluted from approximately 41.34% to approximately 37.53% immediately after the Completion and issue of Consideration Shares, assuming all outstanding shares options granted by the Company have not been exercised and the Shares falling to be issued by the Company under other transaction have not been completed and issued.

LETTER FROM THE BOARD

Possible continuing connected transactions in relation to tenancy agreements with the associates of Mr. Meng

In order to enhance the degree of transparency and provide a complete picture of the Acquisition to the Shareholders, the Directors would like to inform the Independent Shareholders that the Purchaser may enter into tenancy agreements with the associates of Mr. Meng, subject to (i) the Completion of the Acquisition; and (ii) the negotiation on the terms and conditions of the tenancy agreements between the parties

Subject to (i) the Completion of the Acquisition; and (ii) the negotiation on the terms and conditions of the tenancy agreements between the parties, the Purchaser may enter into two tenancy agreements with two associates of Mr. Meng in relation to certain parts of the Medical Building, which is owned by the Target Company and situated in the middle of Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province in the PRC. The total gross floor area of the said property that may be leased to the associate of Mr. Meng is approximately 3,721.06 sq.m.

As the potential leasees are the associates of Mr. Meng, hence connected persons of the Company, the transactions contemplated under the potential tenancy agreements may constitute continuing connected transactions, which may be subject to the reporting, announcement requirements and the approval from the independent shareholders of the Company (if applicable) under Chapter 14A of the Listing Rules.

In any event, if the parties finalise the terms and conditions and enter into the tenancy agreements, the Company will comply with the Listing Rules and make relevant disclosure as applicable and appropriate.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

<i>Date of announcement</i>	<i>Event</i>	<i>Approximate net proceeds</i>	<i>Intended use of net proceeds</i>	<i>Actual use of proceeds</i>
10 February 2015	Subscription of 533,058,000 new Shares under general mandate of the Company	HK\$373 million	To finance the Finance Lease Arrangement as disclosed in the announcements of the Company dated 4 February 2015 and 9 February 2015.	All used as intended for settlement of the consideration for the finance lease by 3 March 2015.

LETTER FROM THE BOARD

<i>Date of announcement</i>	<i>Event</i>	<i>Approximate net proceeds</i>	<i>Intended use of net proceeds</i>	<i>Actual use of proceeds</i>
13 February 2015, 16, February 2015 and 31 March 2015	Issue of convertible bonds of an aggregate principal amount of HK\$500 million	HK\$499.7 million	<p>(i) Approximately HK\$124.5 million for repayment of part of the then existing indebtedness of the Group, provide capital support to the Company to accomplish its strategic development objectives, help the Company to optimize financial structure, strengthen solvency and operation capability, underpin the continued business growth and consolidate the market position of the Company.</p> <p>(ii) Approximately HK\$74.7 million for acquisition of Dalian Lugang Logistics Company Limited* (大連陸港物流基地有限公司).</p> <p>(iii) Approximately HK\$236.6 million for acquisition of Zhejiang Linhai Machinery Company Limited* (浙江臨海機械有限公司).</p> <p>(iv) Approximately HK\$63.9 million for general working capital purposes.</p>	<p>Used as intended with (i) approximately HK\$46.1 million used in securities investments; (ii) approximately HK\$75.0 million used in settlement of part of the consideration for acquisition of Heqing County Sengong Forestry Development Co., Ltd.* (鶴慶縣森工林業有限公司), Ninglang Boyu Forestry Development Co., Ltd.* (寧蒗博宇林業開發有限公司) and Yangbi Yunsen Forestry Development Co., Ltd.* (漾濞雲森林業有限公司) (For details please refer to the circular of the Company dated 31 August 2015); and (iii) approximately HK\$3.4 million used in expanding the Group's trading business in the PRC in July 2015.</p> <p>All used as intended for settlement of the acquisition consideration by 18 August 2015.</p> <p>All used as intended for settlement of the acquisition consideration by 3 August 2015.</p> <p>Used as intended with approximately HK\$61.5 million used for working capital of the Group's trading business and approximately HK\$2.4 million used for payment of interest on bank borrowings in June and July 2015.</p>

LETTER FROM THE BOARD

<i>Date of announcement</i>	<i>Event</i>	<i>Approximate net proceeds</i>	<i>Intended use of net proceeds</i>	<i>Actual use of proceeds</i>
18 January 2016	Subscription of the 2,180,000,000 new Shares under specific mandate of the Company	Approximately HK\$1,601.8 million	To settle part of consideration of the proposed acquisition under the memorandum of understanding disclosed by the Company on 10 December 2015 and repayment of borrowings and general working capital of the Group.	As the said subscription has not yet completed, the proceeds are not yet received/utilised
20 January 2016	Issue of convertible bonds of an aggregate principal amount of HK\$1,330 million	Approximately HK\$1,329.5 million	To settle part of consideration of the proposed subscription under the subscription agreement disclosed by the Company on 18 January 2016 and repayment of the borrowings and general working capital of the Group.	As the said issue has not yet completed, the proceeds are not yet received/utilised

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 development and investments; (v) financial leasing; (vi) trading and logistics; (vii) medical management and (viii) industrial equipment.

The Company always is looking for suitable investment opportunities to enrich the Company's investment portfolio and to enhance future earning capability of the Group. The Company is of the view that the Acquisition of the Target Group will strengthen the existing business segment in property development and investments of the Group and create establishment and exposure of the Group in the Liaoning Province.

The Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser) consider that the Acquisition is beneficial for the Group as it is a suitable investment opportunity to strengthen and develop the Group's existing property development and investments business and provide an opportunity to the Group to greater the return for the Shareholders.

In view of the above, the Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Adviser), consider that the entering into of the Sale and Purchase Agreement is on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiation, and the terms of which are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders of the Company as a whole.

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 income, thus potentially greater return for the Shareholders.

LETTER FROM THE BOARD

FINANCIAL AND CAPITAL RESOURCES

As published in the annual report of the Company for the year ended 31 March 2015, as at 31 March 2015, the Group had borrowings totaling approximately HK\$1,766.6 million. Of these borrowings, approximately HK\$712.3 million were secured by the assets of the Group with an aggregate carrying value of approximately HK\$863.3 million.

As at 31 March 2015, the Group had total equity of approximately HK\$1,347.5 million.

As at 31 March 2015, the Group had current assets of approximately HK\$2,284.5 million comprising cash and cash equivalents of approximately HK\$1,231.3 million, and current liabilities of HK\$1,168.8 million. The Group's current ratio (defined as current assets divided by current liabilities) was maintaining at a healthy ratio of 2.0.

The Group's gearing ratio is defined by its net debt-to-capital ratio (defined as total borrowings less bank balance and cash and pledged bank deposits divided by total equity) of the Group as at 31 March 2015 which was approximately a net cash-to-equity ratio of 8.1%.

The Directors are of the opinion that the Group will be able to generate adequate cash flow from its operations and to secure necessary facilities from the banks to meet its ongoing obligations and commitments.

FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the Target Group will become the indirectly wholly-owned subsidiaries of the Company.

Net Assets

Set out in Appendix IV to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group which illustrates the financial effects of the Acquisition assuming Completion had taken place on 30 September 2015. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase approximately 16.19% from approximately HK\$7,672.2 million to approximately HK\$8,914.7 million and its total liabilities would increase approximately 5.19% from approximately HK\$6,371.7 million to approximately HK\$6,702.6 million.

Earnings

According to the accountants' report on the Target Group as set out in Appendix II to this circular, the Target Group recorded a net profit attributable to owners of the company of approximately RMB50.6 million for the period from 1 January 2015 to 31 August 2015. The Acquisition may lead to an increase on the Group's earnings if the Acquisition were completed on 30 September 2015.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Vendor is an associate (as defined under the Listing Rules) of Mr. Meng, who is the chairman and the executive Director of the Company and a substantial shareholder (as defined in the Listing Rules) of the Company, and hence a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Acquisition constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Acquisition exceeds 25% and the Consideration exceeds HK\$10,000,000, the Acquisition constitutes non-exempt connected transactions for the Company and are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Vendor, HIL, Mr. Meng and their respective associates (as defined under the Listing Rules) are required to abstain from voting on the resolution(s) in respect of the Acquisition at the SGM. At the Board meeting approving the Acquisition, Mr. Meng has abstained from voting on the relevant Board resolution for considering and approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, (i) the Vendor does not own any Shares, (ii) HIL holds 2,250,082,214 Shares representing 57.13% of the issued share capital of the Company and (iii) Mr. Meng is also personally interested in 60,430,371 Shares. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Mr. Meng and HIL, no Director or Shareholder has a material interest in the Sale and Purchase Agreement. Accordingly, apart from Mr. Meng, HIL and their respective associates, no other Shareholder is required to abstain from voting at the SGM in respect of the resolutions relating to the Sale and Purchase Agreement.

Further, as the relevant applicable ratios for the Acquisition under the Sale and Purchase Agreement are more than 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 reporting, announcement and Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping, has been established to consider the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

An SGM will be held on Tuesday, 23 February 2016 at 3:00 p.m. at Conference Room, 36/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, during which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Acquisition.

LETTER FROM THE BOARD

The notice of the SGM is set out on pages 152 and 153 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. Accordingly, the Company will procure the chairman of the SGM to demand for voting on poll in respect of the ordinary resolution to be proposed at the SGM in accordance with the memorandum of association and the bye-laws of the Company and Union Registrars Limited, the branch share registrar of the Company in Hong Kong, will serve as the scrutineer for the vote-taking.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, the Vendor, HIL, Mr. Meng and their respective associates (as defined under the Listing Rules) are required to abstain from voting on the resolution(s) in respect of the Acquisition at the SGM.

RECOMMENDATION

Having considered the above-mentioned benefits to the Group and the advice of the Independent Financial Adviser, the Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and the issue of Consideration Shares under Specific Mandate are in the interests of the Company and the Shareholders as a whole and they are fair and reasonable to the Company. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement, and the transactions contemplated thereunder and the grant of the Specific Mandate.

ADDITIONAL INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee set out on pages 24 and 25 of this circular and (2) the letter of advice from the Independent Financial Adviser set out on pages 26 to 65 of this circular, which contains among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition and the transactions contemplated thereunder (including the grant of Specific Mandate to allot and issue of the Consideration Shares) and the principal factors considered by it in arriving at its recommendation.

Your attention is also drawn to the additional information contained in the appendices to this circular.

By Order of the Board

Wu Jiwei

Chief Executive Officer and Executive Director



HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place

of business in Hong Kong:

36/F, Citibank Tower,
Citibank Plaza,
3 Garden Road,
Central,
Hong Kong

1 February 2016

To the Independent Shareholders,

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF
LIAONING BAO HUA PROPERTIES DEVELOPMENT CO., LIMITED**

We refer to this circular (“**Circular**”) dated 1 February 2016 issued by the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the Acquisition and to advise you as to whether, in our opinion, the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned. Wallbanck Brothers Securities (Hong Kong) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sales and Purchase Agreement and the transactions contemplated thereunder.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Wallbanck Brothers Securities (Hong Kong) Limited; and (iii) the additional information set out in the appendices to the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and having taken into account the opinion of Wallbank Brothers Securities (Hong Kong) Limited and, in particular, the factors, reasons and recommendations as set out in the letter from Wallbank Brothers Securities (Hong Kong) Limited on pages 26 to 65 of the Circular, we consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Independent Shareholders and the Company as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including the issue and allotment of the Consideration Shares under the Specific Mandate and the grant of the Specific Mandate).

Yours faithfully,

Zheng Bailin

*Independent Non-executive
Director*

Shen Ruolei

*Independent Non-executive
Director*

Pun Chi Ping

*Independent Non-executive
Director*

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

The following is the full text of a letter of advice from Wallbanck Brothers, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Acquisition for the purpose of incorporation into this circular.



WALLBANCK BROTHERS Securities (Hong Kong) Limited

1312, Tower 1, Lippo Centre,
89 Queensway, Central,
Hong Kong

1 February 2016

*To the independent board committee and
the independent shareholders of
Huajun Holdings Ltd.*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF LIAONING BAO HUA PROPERTIES DEVELOPMENT CO., LTD

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the major and connected transaction details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in this circular to the Shareholders dated 1 February 2016 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 7 October 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 Vendor, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Target Equity Interest at the Consideration of RMB750 million, which is equivalent to HK\$915 million, HK\$315 million of which will be paid in cash and the remaining HK\$600 million will be settled by the allotment and issuance of the Consideration Shares at HK\$1.50 each.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

As at the Latest Practicable Date, the Vendor is an associate (as defined under the Listing Rules) of Mr. Meng, who is the chairman and the executive Director of the Company and a substantial shareholder (as defined in the Listing Rules) of the Company, and hence a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Acquisition constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Acquisition exceeds 25% and the Consideration exceeds HK\$10,000,000, the Acquisition constitutes non-exempt connected transactions for the Company and are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Further, as the relevant applicable ratios for the Acquisition under the Sale and Purchase Agreement are more than 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 reporting, announcement and Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping, has been established to consider the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Acquisition is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the SGM.

We, Wallbanck Brothers, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time when they were made and will continue to be accurate at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

The Shareholders and potential investors shall be fully aware that the validity of our opinion is subject to any of the risk factors to the Acquisition as disclosed herein.

In formulating our opinion, we have not considered the taxation implications on the Independent Shareholders arising from the Acquisition as these are particular to the individual circumstances of each Shareholder. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her decision to the Acquisition. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

Our opinion is necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention before and after the SGM.

Our opinion is formulated only and exclusively for the purpose of the Acquisition and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions.

Our opinion is based on the Directors' confirmation of receipt of our advice that the Directors and the management of the Company are responsible to take all reasonable steps to ensure that the information and representations provided in any press announcement, circular and prospectus concerning the Acquisition are true, accurate, complete and not misleading, and that no material information or facts have been omitted or withheld.

We take no responsibility for the contents of the Letter from the Board, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this letter.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, we have taken into consideration of the following principal factors and reasons:

1. Background of the Acquisition

(a) Information on the Group

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 development and investments; (v) financial leasing; (vi) trading and logistics; (vii) medical management; and (viii) industrial equipment.

(b) Business and financial review of the Group

Table 1 as set out below summarized the financial performance of the Group for the period from 1 April 2013 to 31 March 2015, as extracted from the Company's annual report for the year ended 31 March 2014 (the "2014 Annual Report") and the annual report for the year ended 31 March 2015 (the "2015 Annual Report").

Table 1: Financial performance of the Group

	For the year ended 31 March 2015 (audited) HK\$'000	For the year ended 31 March 2014 (audited) HK\$'000
Turnover	747,926	677,189
Profit before taxation	422,643	147,718
Profit after taxation	277,152	122,221
	As at 31 March 2015 (audited) HK\$'000	As at 31 March 2014 (audited) HK\$'000
Cash and cash equivalents	1,231,259	99,444
Total assets	3,718,654	976,610
Total liabilities	2,371,158	344,925
Net assets	1,347,496	631,685

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

According to the 2015 Annual Report and the 2014 Annual Report, turnover recognized by the Group was approximately HK\$747,926,000 for the year ended 31 March 2015, representing an increase of approximately 10.4% as compared to the turnover of approximately HK\$677,189,000 for the year ended 31 March 2014. Such increase was mainly driven by slight increases in revenues from the printing segment and diversifications in new segments such as finance lease, trading and medical management.

According to the 2015 Annual Report and the 2014 Annual Report, the profit after taxation by the Group was approximately HK\$277,152,000 for the year ended 31 March 2015, representing an increase of approximately 126.7% as compared to the profit after taxation of approximately HK\$122,221,000 for the year ended 31 March 2014. The increase was mainly due to the diversification of investments with high return and improvements in other existing businesses.

According to the 2015 Annual Report and the 2014 Annual Report, as at 31 March 2015, the Group had bank and cash balances of approximately HK\$1,231,259,000 (2014: approximately HK\$99,444,000). The current ratio of the Group as at 31 March 2015 was approximately 2.0 (2014: 1.9), reflecting the fact that the liquidity of the Group remained healthy. The Group's gearing ratio is defined by its net debt-to-capital ratio (defined as total borrowings less bank balance and cash and pledged bank deposits divided by total equity) of the Group as at 31 March 2015 which was approximately a net cash-to-equity ratio of 8.1% (2014: net debt-to-equity ratio of 0.8%).

2. Principal Terms of the Acquisition

Date

7 October 2015

Parties

- (i) B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), an indirect wholly-owned subsidiary of the Company, as the Purchaser
- (ii) Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司), a limited liability company established in the PRC, as the Vendor

According to the Letter from the Board, as at the Latest Practicable Date, the Vendor is an associate (as defined under the Listing Rules) of Mr. Meng, who is also the chairman and the executive Director of the Company and a substantial shareholder (as defined in the Listing Rules) of the Company. The Vendor is therefore a connected person of the Company under the Listing Rules.

Assets to be acquired

According to the Letter from the Board, pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Target Equity Interest, representing the entire equity interest of the Target Company. As at the Latest Practicable Date, and as informed by the Vendor, the Target Group consists of various subsidiaries that participate in the development of property projects and project investments.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

Pursuant to the Sale and Purchase Agreement, only the Target Group, that is, the Target Company and its subsidiaries upon Completion, namely Baohua Dalian, Baohua Yingkou, Royal Lakes Garden and certain properties developments operated by the Target Company and Baohua Yingkou as specified in the Sale and Purchase Agreement will be acquired by the Purchaser, while all other current subsidiaries of the Target Company will cease from being the subsidiaries of the Target Company prior to the Completion, which is one of the Conditions, details of which are set out in the paragraphs headed “Conditions Precedent” and “Reorganisation” in the Letter from the Board.

Upon Completion, the Target Group will become the indirectly wholly-owned subsidiaries of the Company and their financial results will be consolidated into the financial results of the Group.

Acquisition Consideration

The Consideration of the Acquisition is RMB750 million, which is equivalent to approximately HK\$915 million.

On Completion Date, the Company will make the payment of the Consideration to the Vendor or the nominee of the Vendor for the Target Equity Interest in the following manners:

- (i) HK\$315 million will be paid in cash; and
- (ii) HK\$600 million will be settled by the allotment and issuance of the Consideration Shares at HK\$1.50 each.

According to the Letter from the Board, the Consideration was determined by arm’s length negotiations between the Purchaser and the Vendor based on normal commercial terms with reference to (i) the registered capital of the Target Company; (ii) the net asset value of the Target Group of RMB21.32 million (equivalent to HK\$26.01 million) as at 31 August 2015; (iii) the preliminary valuation of the land and properties owned by the Target Group, which amounted to approximately RMB860 million (equivalent to approximately HK\$1,049.2 million) as at 31 August 2015; and (iv) the original acquisition cost, as at the date of the Announcement, of the Target Group incurred by the Vendor, which amounted to approximately RMB543.7 million (equivalent to HK\$663.3 million).

Pursuant to the Sale and Purchase Agreement, the Purchaser only acquired the asset of the Target Company, save and except the Deposits Received of approximately RMB1 million (equivalent to approximately HK\$1.22 million) (as defined below in the paragraph headed “Conditions Precedent”) received by the Target Group, all liabilities of the Target Group shall be borne by the Vendor. As at the date of the Announcement, the total unaudited asset of the Target Group was in the value of approximately RMB760 million (equivalent to HK\$927.2 million).

According to the Letter from the Board, the original acquisition cost of the Target Group as at the date of the Announcement was only mainly referred to the properties which are accounted in the Accountants’ Report as (i) “investment properties” for the properties for rental; and (ii) “properties under development and properties held for sale”, while in addition to the said properties, the total assets of the Target Company also include other receivables and property, plant and equipment. Therefore, the original acquisition cost of the Target Group as of the date of the Announcement was less than the Consideration.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

After taking into account of the above, the Board is of the view that the Acquisition is fair and reasonable.

Consideration Shares

The Consideration Shares will be allotted and issued at the Issue Price of HK\$1.50 each under the Specific Mandate, which represents:

- (a) a premium of approximately 25% over the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on Last Trading Date;
- (b) a premium of approximately 25.84% over the average closing price of HK\$1.192 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date;
- (c) a premium of approximately 61.29% to the closing price of HK\$0.93 per Share on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 275% to the Company's net asset value attributable to the shareholders of the Company of HK\$0.4 per Share as at 31 March 2015.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor. The Directors consider that the Issue Price is fair and reasonable and on normal commercial terms.

The Consideration Shares to be allotted and issued represent approximately 10.15% of the existing issued share capital of the Company as at the Latest Practicable Date and represent approximately 9.22% of the issued share capital of the Company as enlarged by the allotment and issuance of the Consideration Shares.

According to the Letter from the Board, initially, the Board had considered either settling the entire Consideration all by issue of shares or entire in cash. However, after the Board balancing the advantage of the minimization of cash outflow and the dilution of Shareholders shareholding and arm-length negotiation between the parties, it is agreed that part of the Consideration to be paid by Consideration Shares at the Issue Price at premium because the Vendor has confidence on the growth of Company's business and development and believes that the price of the Shares will gradually increase on long run. The management of the Company is in view that as (i) the Issue Price represents a substantial premium over the Company's various average closing prices and latest published audited net asset value as stated above; and (ii) the payment method of issuing the Consideration Shares will maintain financial position of the Company, to the best knowledge of the Directors, the Directors consider the issue of Consideration Share is financially beneficial to the Company.

As illustrated by the table under the paragraph headed "EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY" in the Letter from the Board, the shareholding interests of the existing public Shareholders in the Company will be diluted from approximately 41.34% as at the Latest Practicable Date to approximately 37.53% immediately after the Completion and issue of

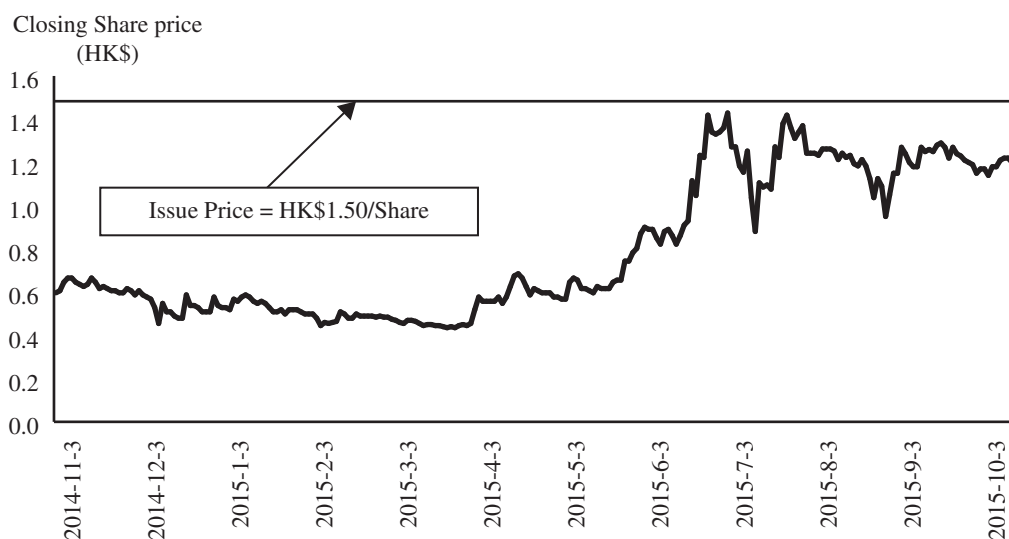
LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

Consideration Shares, assuming all outstanding share options granted by the Company have not been exercised and the Shares falling to be issued by the Company under the transaction have not been completed and issued. Although the issue of Consideration Shares will result a dilution effect of the existing Shareholders' interests, which is minimal, the overall benefit of such issue will outweigh the minimal dilution effect on the shareholding interests of the public Shareholders.

Accordingly, the Board is of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

Historical Share price analysis

The following chart illustrates the closing prices of the Shares from 3 November 2014 up to and including the Last Trading Date (the “**Review Period**”) and the Issue Price of the Consideration Shares of HK\$1.50 per Share:



Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)

During the Review Period, the daily closing prices of the Share ranged from the lowest closing price of HK\$0.45 per Share to the highest closing price of HK\$1.46 per Share. Thus, the Issue Price is higher than the highest closing prices of the Shares within the Review Period.

Taking into account that the Issue Price represents (i) premiums of approximately 25%, 25.84% and 275% over the closing price of HK\$1.20 per Share on the Last Trading Date, the average closing price of approximately HK\$1.192 per Share for the last five consecutive trading days immediately prior to the Last Trading Date and the audited net asset value per Share of the Group attributable to the Shareholders of approximately HK\$0.4 as at 31 March 2015, respectively; and (ii) a premium of approximately 85.19% over the average closing Share prices of approximately HK\$0.81 per Share during the Review Period, it is fair and reasonable to infer that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

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

- (a) Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Consideration Shares;
- (b) the passing of the resolution(s) by the Independent Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM, including but not limited to, the allotment and issuance of Consideration Shares to the Vendor or the nominee of the Vendor;
- (c) the Vendor is the legal and beneficial owner of the Target Equity Interest, which is not subject to any encumbrances and third parties' rights;
- (d) save and except the properties rental and purchase deposits ("**Deposits Received**") received by the Target Group, all liabilities of the Target Group shall be borne by the Vendor and the Target Group does not owe any loan and/or liabilities to any other third parties;
- (e) the bank account of the Target Company has sufficient fund to repay the Deposits Received;
- (f) the Vendor and/or relevant owner, namely, Liu Yanchao (劉艷超), the then shareholder of Baohua Yingkou, has completed the transfer of the ownership of certain properties as set out in the Sale and Purchase Agreement to the Target Company and the Vendor and/or relevant owner shall bear all tax incurred due to the said transfer (including but not limited to the tax to be liable by the Purchaser and/or the Target Group, if any);
- (g) the acquisition of the entire Target Equity Interest shall be completed simultaneously in compliance with the applicable PRC laws and to the satisfaction of the Purchaser;
- (h) the Purchaser has been satisfied with the result of the due diligence review of the Target Group (including but not limited to the review on the indebtedness of the Target Group);
- (i) the Reorganisation has been completed to the satisfaction of the Purchaser;
- (j) the management of Target Group shall not have done any act which may have negative impact on the businesses, assets, properties, financial conditions, operations and future prospects of the Target Group on or prior to Completion; and all warranties shall be accurate and true in all respects as at the Completion Date;
- (k) the Vendor has obtained all necessary third party consents, approvals, authorisations, waivers, permission and certifications in relation to the transactions contemplated under the Sale and Purchase Agreement and other relevant matters; and

- (l) the representations, warranties and undertakings given by the Vendor (the “Warranties”) have remained true, accurate and not misleading in all material respects and there have been no breach of any of the Warranties in any respect by the Vendor.

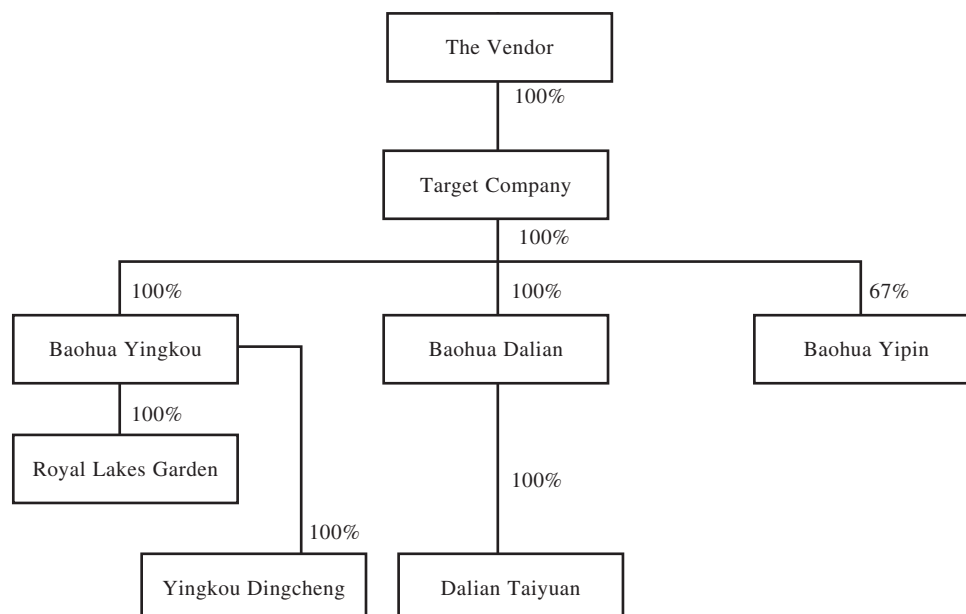
According to the Letter from the Board, save and except Conditions (a), (b) and (c), all other Conditions are capable of being waived by the Purchaser, based on the rights as provided in the Sale and Purchase Agreement, at its discretion in writing to the Vendor. As of the Latest Practicable Date, the Company and the Purchaser do not have any intention to waive any of the Conditions. If any of the Conditions have not been fulfilled or waived (as the case may be) by the Conditions Fulfillment Date, the Sale and Purchase Agreement shall lapse and have no further effect. The Vendor shall refund all amounts (if any) previously received from the Purchaser without interest to the Purchaser forthwith. Upon the due receipt of the said payment by the Purchaser, none of the parties shall make any claims against the other party pursuant to the terms and conditions of the Sale and Purchase Agreement.

According to the Letter from the Board, as at the Latest Practicable Date, the above Conditions (c), (e), (h) and (k) have been satisfied.

Reorganisation

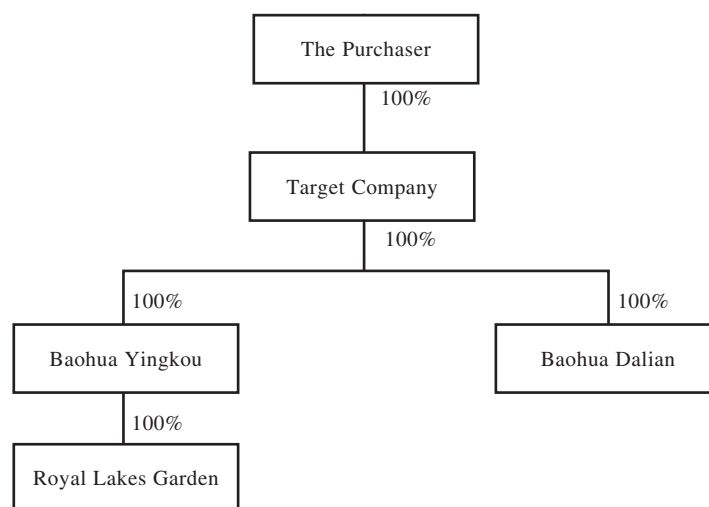
According to the Letter from the Board, pursuant to the Sale and Purchase Agreement, being one of the Conditions, the Target Company and its subsidiaries will undergo the Reorganisation prior to Completion, under which all subsidiaries of Target Company, except Baohua Dalian, Baohua Yingkou, Royal Lakes Garden and certain properties developments operated by the Target Company and Baohua Yingkou as specified in the Sale and Purchase Agreement, will be transferred out of the Target Group.

The corporate structure of the Target Group and its then subsidiaries as of the date of the Sale and Purchase Agreement are shown as in the simplified chart below:



LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

The shareholding structure of the Target Group that is expected to be immediately after Completion is as set out in the simplified chart below:



According to the Letter from the Board, pursuant to the Sale and Purchase Agreement, one of the Conditions was that all liabilities of the Target Group shall be borne by the Vendor and the Target Group does not owe any loan and/or liabilities to any other third parties, save and except the Deposits Received, which is approximately RMB1 million (equivalent to approximately HK\$1.22 million). Therefore, the Company is confident that after the Reorganisation and the fulfillment of the Conditions set out in the Sale and Purchase Agreement, the Target Group will remain in a net current asset position and based on the current level of bank balances, facilities availabilities, cash flows to be generated from existing operations of the Company and the resources of the Enlarged Group, the Target Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future.

The principal activities of the Carve-out Companies are as follows:

1. Yingkou Dingcheng – property development;
2. Baohua Yipin – property development and sale; and
3. Dalian Taiyuan – property development, sale and management.

Although the principal activities of the Carved-out Companies are also property development, the Purchaser has not included the Carve-out Companies in the Acquisition because the Company considered that the businesses of the Carved-out Companies were not attractive as their assets are not as valuable to the Company as those under the Acquisition. Therefore, for the benefit of the Company and the Shareholders as a whole, the Company decided not to acquire the Carved-out Companies for the Acquisition.

3. Business and financial review of the Target Group

(i) Business Review of the Target Group

Information on the Target Company

According to the Letter from the Board, the Target Company is a limited liability company incorporated in the PRC and is principally engaged, inter alia, in properties development business. The principal assets held by the Target Company include the Medical Building and Jinfeng Guesthouse (as defined in Table 2), and other properties held by its subsidiaries. The Target Company is directly wholly-owned by the Vendor, which is in turn owned as to 22.5% and 77.5% by an Independent Third Party and Mr. Meng respectively.

Information on the Baohua Yingkou

According to the Letter from the Board, Baohua Yingkou is a limited liability company incorporated in the PRC and is principally engaged in properties development, renovation and trading of construction material. As at the Latest Practicable Date, Baohua Yingkou is directly wholly-owned by the Target Company, which is in turn indirectly wholly-owned by the Vendor and owned as to 77.5% by Mr. Meng. The principal assets held by Baohua Yingkou include the Royal Lakes Garden Health Care Center, Royal Lakes Garden Residence, Hot Spring Village Land Parcel and Jincan Garden (as defined in Table 2).

Currently, Baohua Yingkou is an investment holding company holding Royal Lakes Garden, which are currently occupied and operated by Royal Lakes Garden, and other landed properties. After Completion, Baohua Yingkou will continue holding Royal Lakes Garden as an investment and other landed properties. Baohua Yingkou will also continue selling those completed but unsold units of apartments and/or villas and/or car parking space of Royal Lakes Garden Residence.

Information on Baohua Dalian

According to the Letter from the Board, Baohua Dalian is a limited liability company incorporated in the PRC and is principally engaged in properties development and property management. As at the Latest Practicable Date, Baohua Dalian is directly wholly-owned by the Target Company, which is in turn indirectly wholly-owned by the Vendor and indirectly owned as to 77.5% by Mr. Meng.

Currently, Baohua Dalian is an investment holding company and has no material assets. After Completion, the Company may use it as a vehicle to hold property development projects.

Information on Royal Lakes Garden

According to the Letter from the Board, Royal Lakes Garden is a limited liability company incorporated in the PRC and is principally engaged in the provision of food service, commercial service and accommodation. Its registered capital is RMB10 million (equivalent to approximately HK\$12.2 million) which has not yet been paid. As at the Latest Practicable Date, Royal Lakes Garden is directly wholly-owned by Baohua Yingkou, which is in turn indirectly wholly-owned by the Vendor and owned as to 77.5% by Mr. Meng.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

Royal Lakes Garden is principally engaged in the operation of the Royal Lakes Garden Health Care Centre for clubhouse use which provides services including food and beverage, sauna, and spa. Upon completion of the Acquisition, it will continue the said business.

The capital requirement in relation to the Group's future plan for the Target Group will be approximately RMB5,000,000 (equivalent to approximately HK\$6,100,000) being the balance for the construction cost of property development of Royal Lakes Garden Residence, which will be funded by the internal resources of the Group.

Based on the current level of bank balances, facilities availabilities, cash flow to be generated from existing operations of the Company and the resources of the Enlarged Group, it is expected the Enlarged Group will have sufficient working capital for the next 12 months from the Latest Practicable Date.

Properties held by the Target Group

Set out below is the summary of the properties held by the Target Group:

Table 2: Summary of the properties held by the Target Group

(i) For investment purpose:

	Property	Owner of the Property	Usage	Gross floor area (sq.m.)	Market Value (RMB)
1	Royal Lakes Garden Health Care Center (the " Royal Lakes Garden Health Care Center "), located at Wang'ershan District, Bayuquan District, Yingkou City, Liaoning Province, the PRC	Baohua Yingkou	Commercial	Approximately 14,003.00	177,000,000
2	Three ancillary buildings (the " Jincan Garden ") located at Xiong Yue Town, Yingkou City, Liaoning Province, the PRC	Baohua Yingkou	Commercial	Approximately 2,072.25	7,000,000

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	Property	Owner of the Property	Usage	Gross floor area (sq.m.)	Market Value (RMB)
3	Jinfeng Guesthouse (the “ Jinfeng Guesthouse ”), located at Sanjaizi Community, Bayuquan District, Yingkou City, Liaoning Province, the PRC	704.16 sq.m by Target Company 1326.60 sq.m. currently by Liu Yanchao (劉艷超), the then shareholder of Baohua Yingkou, but according to Condition (f) of the Sale and Purchase Agreement, the Vendor and/or Liu Yanchao (劉艷超) shall complete the transfer the ownership to the Target Company	Commercial	Approximately 2,030.76	23,000,000
4	Medical Building (the “ Medical Building ”), The middle of Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province, the PRC	Target Company	Commercial	Approximately 5,686.56	33,000,000
5	Unsold units in the completed groups of Royal Lakes Garden (the “ Royal Lakes Garden Residence ”) located at Bayuquan District, Yingkou City, Liaoning Province, The PRC	Baohua Yingkou	Residential	Approximately 36,522.32	545,000,000

(ii) For future development:

	Property	Owner of the Property	Usage	Gross floor area (sq.m.)	Market Value (RMB)
6	A parcel of land located at Hot Spring Village (the “ Hot Spring Village Land Parcel ”), Xiong Yue Town, Bayuquan District, Yingkou City, Liaoning Province, The PRC	Baohua Yingkou	Residential	30,395	51,000,000

According to the Valuation Report (as defined in the subsection headed “(ii) Valuation of the properties held by the Target Group”), the Royal Lakes Garden Health Care Center is situated at Bayuquan District, Yingkou City, Liaoning Province, the PRC. The property comprises of a 7-storey commercial building and one basement for car parking use erected on a parcel of land with a site area of approximately 2,150.00 sq.m. (23,142 sq.ft.) and a total gross floor area of the property of approximately 14,003.00 sq.m. (150,727 sq.ft.). The property was completed in about 2015 for commercial use.

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The Jincan Garden is situated at Bayuquan District, Yingkou City, Liaoning Province, the PRC. The property comprises of three commercial buildings of one to three storeys situated within Jincan Garden. Jincan Garden is a residential development erected on a parcel of land with a site area of approximately 40,406.00 sq.m. (434,927 sq.ft.) and a total gross floor area of the property is approximately 2,072.25 sq.m. (22,306 sq.ft.). The property was completed in about 2011 for ancillary commercial use.

The Jinfeng Guesthouse is situated in Bayuquan District, Yingkou City, Liaoning Province, the PRC. The property comprises a 5-storey composite building with a total gross floor area of approximately 2,030.76 sq.m. (21,859 sq.ft.), and was completed in about 2003 for commercial use.

The Medical Building is situated at Bayuquan District, Yingkou City, Liaoning Province, the PRC. The property comprises of a complex building consisted of three blocks: a 7-storey commercial main building, a 2-storey retail building and an ancillary single-storey warehouse, with a total gross floor area of the property of approximately 5,686.56 sq.m. (61,210 sq.ft.). The property has been completed in about 2005 for composite use (i.e., retail, office and storage).

The Royal Lakes Garden Residence is situated at Bayuquan District, Yingkou City, Liaoning Province, the PRC. It comprises of various unsold units, including 127 apartments, 27 villas and 197 underground car parking spaces. Royal Lakes Garden Residence is a low density residential development erected on a parcel of land with a site area of approximately 102,057.00 sq.m. (1,098,532 sq.ft.) and a total gross floor area of the property of approximately 36,522.32 sq.m. (393,123 sq.ft.). The property was completed in about 2013 for residential use.

The Hot Spring Village Land Parcel is situated at Bayuquan District, Yingkou City, Liaoning Province, the PRC. The land parcel comprises of a parcel of undeveloped land with a site area of approximately 30,395.00 sq.m. (327,169 sq.ft.) within Royal Lakes Garden Residence. Royal Lakes Garden Residence is a low density residential development erected on a parcel of land with a site area of approximately 102,057.00 sq.m. (1,098,532 sq.ft.). As at the valuation date, the land parcel is pending for future development.

Future plans

Set out below is the summary of future plans for the properties held by the Target Group:

Table 3: Summary of future plans for the currently developed properties held by the Target Group

		Gross Floor Area (sq.m.)	% of total Gross Floor Area (sq.m.)
(1)	For Rental:		
	Under existing tenancy agreement	5,315.33	8.81%
	Vacant and/or owner occupied (see note 1)	4,474.24	7.42%
(2)	For operation by the Company for clubhouse use	14,003.00	23.22%
(3)	For Sale	36,522.32	60.55%
	Total	60,314.89	

Note 1: According to the Valuation Report, a portion of the Medical Building was owner-occupied for commercial use. This said portion may be subject to tenancy agreements with associates of Mr. Meng, details of which are set out in the subsection headed “(vi) Possible continuing connected transactions in relation to tenancy agreement with the associates of Mr. Meng on page 57”

Investment properties

According to the Letter from the Board, the Target Group intends to continue renting out investment properties including Jinfeng Guesthouse, Medical Building, and Jincan Garden in order to generate rental income. The operation of Royal Lakes Garden Health Care Center as a clubhouse will also earn service income.

The aggregate gross floor area intended for rental purposes is approximately 9789.57 sq.m., representing approximately 16.23% of the total gross floor area of all the currently developed properties held by the Target Group. Currently, approximately 7.42% of the total gross floor of the currently developed properties are vacant and/or owner-occupied (see note 1 to Table 3).

Properties under development and properties held for sale

According to the Letter from the Board, the Target Group targets to sell all remaining villas and apartments of Royal Lakes Garden Residence to generate revenue, and renovation work is being performed on certain unsold units in order to achieve higher selling prices.

The aggregate gross floor area intended for sales is approximately 36,522.32 sq.m., representing approximately 60.55% of the total gross floor area of all the currently developed properties held by the Target Group.

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According to the representations by the Company, set out below is the expected sales timetable of the remaining villas and apartments of Royal Lakes Garden Residence:

Table 4: Summary of expected sales timetable

For the year	% of remaining properties to be sold
2016	40%
2017	30%
2018	30%

Set out below is the summary of tenancy agreements entered into on the properties held by the Target Group as extracted from the Valuation Report:

Table 5: Summary of tenancy agreements of properties under the Target Group

Property	Tenant(s)	Uses	Start date	Expiry date	Gross Floor Area (sq.m.)	Initial Annual Rental Income (RMB) (Note 1)	Initial Annual Rental Income (RMB)/ Sq.m.	Occupancy rate	Market Value (RMB)	Initial Rental yield
Jincan Garden	Wang Xiuping* (王秀平)	Kindergarten	1-Jan-14	31-Dec-23	1,193	140,000	117	86%	7,000,000	2.71%
	Gao Yuan* (高原)	Public Bathhouse	1-Jan-14	31-Dec-23	592	50,000	85			
Jinfeng Guesthouse	Yingkou Coastal Bank* (营口沿海银行股份有限公司)	Bank	1-Nov-14	31-Dec-25	2,030.76	1,500,000	739	100%	23,000,000	6.52%
Medical Building	Yingkou Bank Kunlun Branch* (营口银行股份有限公司支行)	Bank	11-Jan-13	31-Oct-23	1,500	1,500,000	1,000	26%	33,000,000	4.55%

Note 1: Further details of the rental income under the tenancy agreements is set out in the Valuation Report.

As set out in the table above, Jincan Garden is subject to various tenancy agreements for a term expiring on 31 December 2023 at a total initial annual rental of approximately RMB190,000 on a portion of the property with a gross floor area of approximately 1,785 sq.m.. The occupancy rate of Jincan Garden is approximately 86% and the aggregate rental yield is approximately 2.71%.

Jinfeng Guesthouse is subject to a tenancy agreement for the entire building for a term expiring on 31 December 2025 at a total initial annual rental of RMB1,500,000. The rental yield is approximately 6.52%.

Medical Building is subject to a tenancy agreement for a term expiring on 31 October 2023 at a total annual rental of RMB1,500,000 on a portion of the property with a gross floor area of approximately 1,500.00 sq.m. on 1/F and 2/F of the 7-storey commercial main building. The occupancy rate of Medical Building is approximately 26% and the aggregate rental yield is approximately 4.55%.

According to the opinion letter prepared by the Valuer, the tenancy agreements for Jinfeng Guesthouse and Medical Building were entered into on normal commercial terms and the rents payable by the lessee thereunder is considered to be at market level and is fair and reasonable is in line with the market rate. The rents payable under the tenancy agreements for Jincan Garden, which were for kindergarten and public bathhouse, were entered at a lower than market rate to attract the lessees and thus providing additional facilities for the residents of Jincan Garden.

(ii) Valuation of the properties held by the Target Group

We have reviewed the valuation report (the “**Valuation Report**”) prepared by RHL Appraisal Limited (the “**Valuer**”) and discussed with the Valuer regarding the methodology adopted for and the basis and assumptions used in arriving at the market values of the properties and land as at 31 December 2015 of RMB836,000,000 (the “**Valuation**”) in accessing the fairness and reasonableness of the Consideration.

Based on the Valuation Report and as advised by the Valuer, when conducting the Valuation, the Valuer has adopted the direct comparison approach, which is based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. The Valuer has analyzed the comparable properties of similar size, scale, nature, character and location and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. It is noted that the direct comparison approach is considered as common and reasonable approach in valuing such form of property interest and is also consistent with normal market practice.

The Valuer represented that they have considered and carried out a preliminary valuation based on the discounted cash flow approach on the Royal Lakes Garden Health Care Center as it is intended to be operated as a hotel business in the future and had obtained a similar valuation compared to the direct comparison approach. The Valuer, having considered that the Royal Lakes Garden Health Care Centre was completed and ready for business only from the second half of this year with no substantial historical financial information available, maintained its direct comparison approach to the valuation of the Royal Lakes Garden Health Care Centre.

In the course of our discussions with the Valuer, it is noted that the Valuer carried out site visits to the properties and land in September 2015 to research for the necessary information for determining the Valuation. For our due diligence purpose, we have also reviewed and enquired into (i) the terms of engagement of the Valuer with the Company; (ii) the Valuer’s qualification and experience including the curriculum vitae of the relevant personnel in relation to the preparation of the Valuation Report; and (iii) the steps and due diligence measures taken by the Valuer for conducting the Valuation. From the mandate letter and other relevant information provided by the

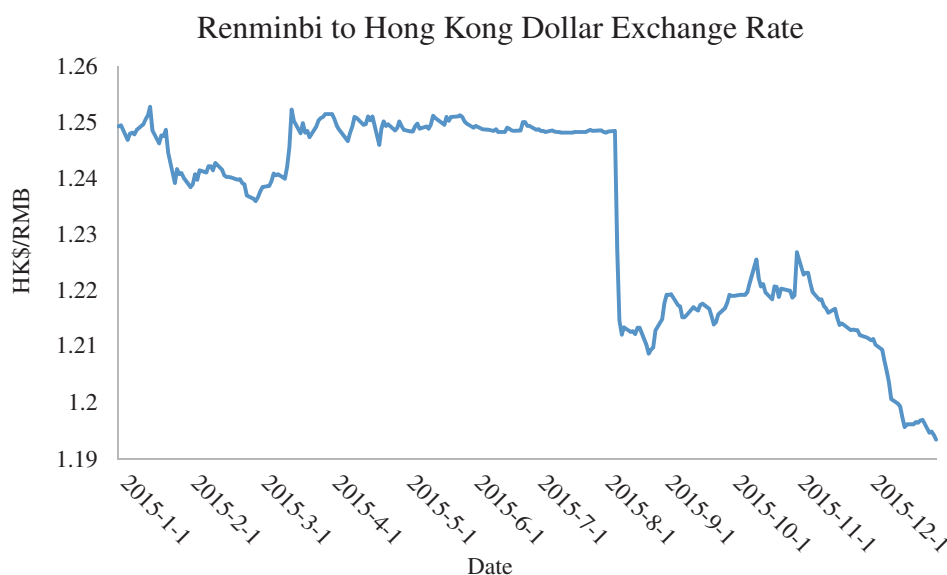
Valuer and based on our interviews with it, we note that the terms of engagement of the Valuer is appropriate that the Valuer is qualified for the preparation of the Valuation Report. The Valuer has also confirmed that it is independent to the Group and the Target Group.

Additional information in relation to the basis and assumptions of the Valuation are included in the Valuation Report as contained in Appendix V to the Circular. During our discussions with the Valuer, we have not identified any major factors which cause us to doubt the fairness and reasonableness of the principal basis, assumptions and methodologies adopted for the Valuation. Nevertheless, Shareholders should note that valuation of land or properties usually involves assumptions and therefore the Valuation may or may not reflect the true market values of the properties and land accurately.

(iii) Impact of changes in (a) exchange rate of Renminbi to Hong Kong Dollar, (b) property prices of Yingkou City and (c) recent Share price of the Company on the Acquisition

(a) Depreciation in the exchange rate of Renminbi to Hong Kong Dollar

Set out below is the historical Renminbi to Hong Kong Dollar exchange rate from 1 January 2015 to 31 December 2015:



Source: Bloomberg

As depicted in the chart above, the Renminbi to Hong Kong Dollar exchange rate (the “**Exchange Rate**”) declined unexpectedly by approximately 4.5% during the year 2015. The Exchange Rate declined by approximately 2.4% from 1 January 2015 to 7 October 2015, the date of the Sale and Purchase Agreement, and further declined by approximately 2.1% from 7 October 2015 to 31 December 2015. It is possible that the decline may continue in 2016.

According to the representations by the Company, the Company does not anticipate significant decrease in the value of the Target Group and its properties to the Group, and also in the amount of revenue and profit generated from the sale of and the rental income arising from the said properties from the possible Exchange Rate decline.

(b) *Decline in the property prices of Yingkou City*

Set out below is the relevant property price index and trend of Yingkou City, Liaoning Province, the PRC, where the properties under the Target Group are located at, as provided by the Company:



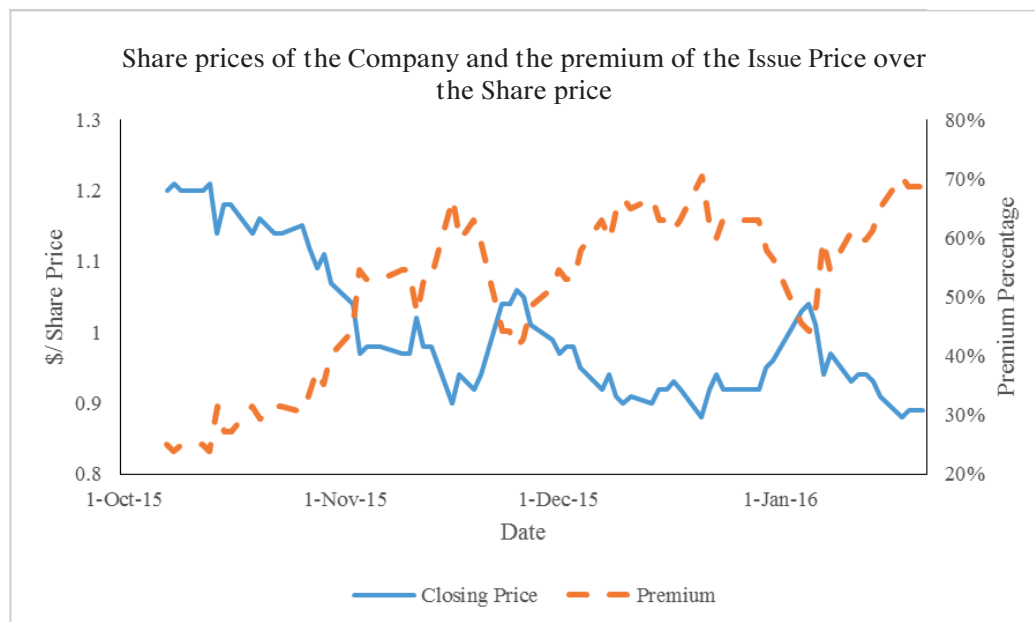
Sources: China Real Estate Index System* (“CREIS”) (CREIS 中指數據) and the website fdc.fang.com

As illustrated in the chart above, the average sample property prices of Yingkou City, as represented by the CREIS, maintained stable throughout 2011 to 2015, as shown by a slight decline of approximately 1.1% in terms of annual compounded growth rate (“CAGR”) from 2011 to 2015.

According to the representations by the Company, the projections of property prices in Yingkou City in 2016 to 2017 are estimated using the historical CAGR from 2011 to 2015 of: (i) the property prices in Yingkou City, (ii) the property prices of comparable cities (“Comparable Cities”, being Changchun City and Jilin City of Jilin Province, and Anshan City of Liaoning Province), and (iii) the property prices of 100 Chinese cities (according to CREIS). Under scenario (i), the property prices in Yingkou City is expected to decline by approximately 1.1% in CAGR. Therefore, the Company holds the view that property prices in Yingkou City may decline slightly in the foreseeable future.

(c) Recent decline in Share price of the Company (increase in premium in the Issue Price of the Consideration Shares)

Set out below are (i) the closing prices of the Shares and (ii) the premium of the Issue Price over the Share prices from 7 October 2015 up to and including 15 January 2016:



Source: Website of the Stock Exchange (<http://www.hkex.com.hk>)

As shown in the chart above, the Share prices of the Company decreased from approximately \$1.20/share on 7 October 2015 to \$0.91/share on 15 January 2016. This change in the Share price of the Company represents an increase in the premium of the Issue Price of \$1.5/share for the Consideration over the Share price from approximately 25.0% to 64.8%.

Having considered collectively the above said factors regarding the impact of (a) the depreciation in the Exchange Rate of Renminbi to Hong Kong Dollar, (b) the slight historical and expected future decline in property prices of Yingkou City on the Acquisition, as compensated by (c) the increase in premium of the Issue Price over the recent Share prices of the Company, the Directors hold the view that the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

(iv) *Financial Information of the Target Group*

(a) **Financial Information of the Target Group**

According to the Letter from the Board and the Accountants' Report, the audited financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards for the two financial years ended 31 December 2013 and 2014 and for the eight months ended 31 August 2015 are summarized as follows (for illustration purposes only):

Table 6: Financial performance of the Target Group

	For the year ended 31 December 2013 <i>(RMB'000)</i>	For the year ended 31 December 2014 <i>(RMB'000)</i>	For the eight months ended 31 August 2014 <i>(RMB'000)</i>	For the eight months ended 31 August 2015 <i>(RMB'000)</i>
Revenue	34,661	103,920	97,890	4,770
Net profit before taxation	22	38,335	38,494	64,299
Net profit/(loss) after taxation	(5,434)	25,936	27,146	50,602
Net assets	33,846	59,782	N/A	110,384
		As at 31 December 2013 <i>(RMB'000)</i>	As at 31 December 2014 <i>(RMB'000)</i>	As at 31 August 2015 <i>(RMB'000)</i>
Net assets		33,846	59,782	110,384

Comparison for the eight months ended 31 August 2015 to the eight months ended 31 August 2014

The decrease in revenue from the eight months ended 31 August 2014 to the eight months ended 31 August 2015 was mainly due to decrease in sales of properties. The sale of one of the properties projects of Baohua Yingkou, which represented most of the sale revenue of the Target Group in the year 2014, was completed in early 2015. Therefore, there is a significant decrease in revenue for the Target Group for the eight months ended 2015 in comparing to the same period in 2014.

Other income for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMB50,000 and RMB20.1 million respectively. Other income for the eight months ended 31 August 2015 was mainly compensation provided by the local government in regards of exchange of land use right.

Selling and distribution expenses of the Target Group for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMB275,000 and RMB309,000 respectively. Selling and distribution expenses were mainly represented by advertising of properties.

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Administrative expenses of the Target Group for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMB4.9 million and RMB7.9 million respectively. The increase in administrative expenses was mainly due to increase in staff cost.

Finance costs of the Target Group for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMBnil and RMB1,000 respectively.

According to the Letter from the Board, the amounts due from related parties as at 31 December 2014 and 31 August 2015 are approximately RMB13.0 million and RMB333.1 million respectively. The significant increase was mainly due to the large amount of fund, which received by the Target Group from the sale of property projects of Baohau Yingkou, being transferred to the related parties, namely the then holding company and subsidiaries of the Target Company. Substantial part of the said RMB333.1 million due from related parties as at 31 August 2015 will be net-off pursuant to the assignment agreement entered into by Baohua Yingkou and the said related parties.

According to the Sale and Purchase Agreement, the Purchaser only acquired the Target Company with asset, save and except the deposits received by the Target Group in relation to the properties rental and purchase, all other liabilities of the Target Group shall be borne by the Vendor, which is one of the conditions of the Acquisition. The Group will not bear the liabilities in relation to the amounts due to the related parties and the bill payables after Completion. Accordingly, no connected transaction for those amounts due to the related parties will be occurred after Completion.

Comparison for the year ended 31 December 2014 to the year ended 31 December 2013

The increase in revenue from the year ended 31 December 2013 to the year ended 31 December 2014 was mainly due to the completion and commencement of sales of certain properties in 2014.

Other income for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB1,000 and RMB5.9 million respectively. Other income for the year ended 31 December 2014 was mainly government grants received from the local government as the incentive for business development to enterprises established in the PRC.

Selling and distribution expenses of the Target Group for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB33,000 and RMB333,000 respectively. The increase in selling and distribution expenses was mainly attributable to increase in advertising of properties.

Administrative expenses of the Target Group for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB7.1 million and RMB9.7 million respectively. The increase in administrative expenses was mainly due to increase in staff cost.

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Finance costs of the Target Group for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB176,000 and RMBnil respectively. The decrease in finance costs was mainly due to decrease in bank borrowings.

Comparison for the year ended 31 December 2013 to the year ended 31 December 2012

The increase in revenue from the year ended 31 December 2012 to the year ended 31 December 2013 was mainly due to the completion and commencement of sales of certain properties in 2013.

Other income for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB29,000 and RMB1,000 respectively. Other income for the year ended 31 December 2012 consisted of larger interest income from bank deposits.

Selling and distribution expenses of the Target Group for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB382,000 and RMB33,000 respectively. The decrease in selling and distribution expenses was mainly attributable to higher advertising of properties in 2012.

Administrative expenses of the Target Group for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB6.1 million and RMB7.1 million respectively. The increase in administrative expenses was mainly due to increase in land use tax.

Finance costs of the Target Group for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB727,000 and RMB176,000 respectively. The decrease in finance costs was mainly due to decrease in bank borrowings.

(b) Financial Information of Royal Lakes Garden

According to the representations by the Company, the unaudited financial information of the Royal Lakes Garden for the ten months ended 31 October 2015 are summarized as follows (for illustration purposes only):

Table 7: Financial performance of the Royal Lakes Garden

	For the ten months ended 30 October 2015
Revenue	1,961,981
Net profit before taxation	(977,153)
Net profit/(loss) after taxation	(977,153)
Net assets/(liabilities)	(977,153)

Royal Lakes Garden was established on 28 January 2015. The net assets of Royal Lakes Garden is expected to be approximately RMB106,213,000 after the Reorganisation.

(c) Pro forma financial information of the Target Group (i) before and (ii) after the reorganisation and the fulfilment of all Conditions and before Completion of the Acquisition

According to the representatives by the Company, set out below are (i) the audited combined statement of financial position of the Target Group as at 31 August 2015 and (ii) the pro forma financial information of the Target Group upon completion of the reorganisation and that all liabilities of the Target Group have been borne by the Vendor where the Target Group does not owe any loan and/or liabilities to any other third parties, save and except the Deposits Received, and before Completion of the Acquisition, as extracted from Appendix IV to the Circular:

**Table 8: Pro forma financial information of the Target Group
(i) before and (ii) after the reorganisation and the fulfilment of all Conditions
and before Completion of the Acquisition**

	(i) As at 31 August 2015	Reorganisation adjustments	Net-off adjustments	(ii) After reorganisation and all liabilities to be borne by the Vendor and before Completion of the Acquisition
ASSETS AND LIABILITIES	<i>(Note 1)</i> <i>HK\$'000</i>	<i>(Note 2)</i> <i>HK\$'000</i>	<i>(Note 3)</i> <i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Investment in target group	–			–
Property, plant and equipment	13,398			13,398
Prepaid lease payments	–			–
Investment properties	292,800			292,800
Goodwill	–			–
Interest in an associate	–			–
Loan receivables	–			–
Finance lease receivables	–			–
Deferred tax assets	–			–
Deposits for purchase of plant and equipment	–			–
Club membership	–			–
	<u>306,198</u>	<u> </u>	<u> </u>	<u>306,198</u>

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	(i) As at 31 August 2015	Reorganisation adjustments	Net-off adjustments	(ii) After reorganisation and all liabilities to be borne by the Vendor and before Completion of the Acquisition
ASSETS AND LIABILITIES	<i>(Note 1)</i> HK\$'000	<i>(Note 2)</i> HK\$'000	<i>(Note 3)</i> HK\$'000	HK\$'000
Current assets				
Properties under developments and properties held for sale	383,351	(78,581)		304,770
Inventories	488			488
Finance lease receivables	–			–
Trade and other receivables	77,697	(23,124)		54,573
Amount due from related parties	406,413		(329,345)	77,068
Loan receivables	–			–
Tax recoverable	–			–
Other financial assets	–			–
Pledged bank deposits	61,000			61,000
Bank balances and cash	12,148			12,148
	<u>941,097</u>			<u>510,047</u>
Current liabilities				
Trade payables and other payables	312,443	(311,223)		1,220
Amount due to related parties	767,220	(437,875)	(329,345)	–
Tax payables	18,228	(18,228)		–
Borrowings	–			–
	<u>1,097,891</u>			<u>1,220</u>
Net current (liabilities)/assets	<u>(156,794)</u>			<u>508,827</u>
Total assets less current liabilities	<u>149,404</u>			<u>815,025</u>
Non-current liabilities				
Long term deposits received	–			–
Deferred tax liabilities	14,734			14,734
Borrowings	–			–
	<u>14,734</u>			<u>14,734</u>
Net assets	<u>134,670</u>			<u>800,291</u>

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	(i) As at 31 August 2015	Reorganisation adjustments	Net-off adjustments	(ii) After reorganisation and all liabilities to be borne by the Vendor and before Completion of the Acquisition
ASSETS AND LIABILITIES	<i>(Note 1)</i> HK\$'000	<i>(Note 2)</i> HK\$'000	<i>(Note 3)</i> HK\$'000	<i>(Note 4)</i> HK\$'000
Equity				
Share capital	24,400			24,400
Reserves	110,270	665,621		775,891
Equity attributable to shareholders of the Company	134,670			800,291
Non-controlling interest	-			-
Net assets	134,670			800,291

Note 1:

According to the Letter from the Board, the financial information of the Target Group as at 31 August 2015 as set out in the Accountant's Report is presented on a "carve-out" basis in relation to the Reorganisation, and therefore includes the results of the Target Company, Baohua Dalian, Baohua Yingkou and Royal Lakes Garden and excludes the results of the Carve-out Companies.

Note 2:

The adjustments represents note 4(i) of the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular. These adjustments represent (i) the reorganisation of the Target Group in which certain properties and related receivables of the Target Group are not included in the Acquisition pursuant to the Sale and Purchase Agreement; and (ii) the assumption of liabilities by the Vendor according to the Sale and Purchase Agreement and to be treated as capital injection of the Vendor who is also the sole shareholder of the Target Group. Further details are set out in the subsection headed "Reorganisation" on pages 35-36.

Note 3:

The adjustments represents note 3 of the unaudited pro forma financial information of the Enlarged Group in Appendix IV to the Circular. The adjustment represents the net-off of related parties balances pursuant to the assignment agreement signed between the Target Company, 遼寧華君股權投資基金管理有限公司 (Liaoning Huajun Share Investment Fund Management Co., Ltd.*) and 遼寧富邦物流有限公司 (Liaoning Fu Bang Logistics Co., Ltd.*) dated on 27 January 2016 ("Assignment agreement A") and Baohua Yingkou, 華君控股集團有限公司 (Huajun Holdings Group Co., Ltd.*) and 遼寧富邦物流有限公司 (Liaoning Fu Bang Logistics Co., Ltd.*) dated on 27 January 2016 ("Assignment agreement B"). Pursuant to the Assignment agreement A, the Target Company and 遼寧華君股權投資基金管理有限公司 (Liaoning Huajun Share Investment Fund Management Co., Ltd.*) had agreed to assign the right to receive cash of RMB100,000,000 (equivalent to HK\$122,000,000) to 遼寧富邦物流有限公司 (Liaoning Fu Bang Logistics Co., Ltd.*). Pursuant to the Assignment agreement B, the Baohua Yingkou and 華君控股集團有限公司 (Huajun Holdings Group Co., Ltd.*) had agreed to assign the right to receive cash of RMB169,954,000 (equivalent to HK\$207,345,000) to 遼寧富邦物流有限公司 (Liaoning Fu Bang Logistics Co., Ltd.*).

Note 4:

According to the representations by the Company, the following represents the financial position of the Target Group after the adjustments (see Note 2 and Note 3) on the reorganisation and all liabilities of the Target Group being borne by the Vendor and before the Completion of the Acquisition.

Pro forma adjustments on the Target Group on the reorganisation and fulfilment of all Conditions:

Set out below are further details on the pro forma adjustments on the Target Group on the reorganisation and fulfilment of all Conditions and before Completion of the Acquisition:

(i) Current asset

According to the representations by the Company, the current asset of the Target Group decreased from HK\$941,097,000 to HK\$510,047,000. Expected adjustments are to be made to (i) properties under developments and properties held for sale (a reduction of HK\$78,581,000) and (ii) trade and other receivables (a reduction of HK\$23,124,000) due to certain properties and related receivables of the Target Group not included in the Acquisition pursuant to the Sale and Purchase Agreement (see note 2 to Table 8). Expected adjustment is to be made also to the amount from related parties (a reduction of HK\$329,345,000) due to a net-off of related parties balances (see note 3 to Table 8).

(ii) Non-current asset

According to the representations by the Company, the non-current asset of the Target Group remained the same at HK\$306,198,000.

(iii) Current liabilities

According to the representations by the Company, the current liabilities of the Target Group decreased from HK\$1,097,891,000 to HK\$1,220,000. Pursuant to the Vendor taking up all the liabilities as defined under the Sale and Purchase Agreement, expected adjustments are to be made to (i) Trade payables and other payables (a reduction of HK\$311,223,000) (ii) amount due to related parties (a reduction of HK\$437,875,000), and (iii) tax payables (HK\$18,228,000) (see note 2 to Table 8). Expected adjustment is to be made also to the amount due to related parties (a reduction of HK\$329,345,000) due to a net-off of related parties balances (see note 3 to Table 8).

(iv) Non-current liabilities

According to the representations by the Company, the non-current liabilities of the Target Group remained the same as HK\$14,734,000.

According to the representations by the Company, following the above adjustments, the Target Group shall turn from a net current liabilities of approximately HK\$156,794,000 to a net current asset of HK\$508,827,000. The net asset value of the Target Group shall increase from HK\$134,670,000 to HK\$800,291,000. The current ratio shall improve from 0.9 to 418.1 and the total debt to total asset ratio shall improve from 1.1 to 51.2.

(d) Going concern of the Target Group

According to the Accountants' Report of the Target Group, the net current liabilities of the Target Group was approximately HK\$156,794,000 as at 31 August 2015 and may cast significant doubt about the Target's Group ability to continue as a going concern.

According to the Conditions under the Sale and Purchase Agreement, all liabilities of the Target Group shall be borne by the Vendor (except for the Deposits Received) and the Target Group does not owe any loan and/or liabilities to any other third parties. According to the representation by the Company, upon fulfilment of the Conditions, the net current asset of the Target Group shall be approximately HK\$508,827,000.

According to the representations by the Company, the Target Group is currently in the process of reassigning the amount due to related parties with the consent of the creditors. The Target Group is also in the process of (i) repaying its trade and other payables and (ii) reassigning any outstanding amount to the Vendor with the consent of the creditors.

(e) Fulfilment of the Conditions as of no liabilities of the Target Group

According to the Conditions under the Sale and Purchase Agreement, all liabilities of the Target Group shall be borne by the Vendor (except for the Deposits Received) and the Target Group does not owe any loan and/or liabilities to any other third parties.

According to the representations by the Company, the Company shall not complete the Acquisition unless the Company is satisfied that (i) all trade and other payables of the Target Group are paid in full by the Vendors; (ii) any outstanding amount of trade and other payables shall be reassigned by the creditors to the Vendors; and (iii) all legal documents on loan reassignments shall be duly executed by the creditors in relation to the amount due to related parties by the Target Group.

According to the representations by the Company, the Vendors shall not pledge any assets of the Target Group for the repayment and reassignment of the liabilities of the Target Group.

(v) Overview of the economic status of Yingkou City

Given the properties are located in Yingkou City, Liaoning Province, the PRC, certain key background information and the latest available statistics in relation the area with reference to the Yingkou City People's Government website* (營口市人民政府網站) have been reviewed. Yingkou City is located in the southern part of Liaoning Province, and is the northeastern coast of the Bohai Gulf. The total area of the Yingkou City is approximately 5451.68 square kilometers, with a population of approximately 2.33 million.

Due to its costal geographical location, in late 2005, the then Party Secretary of the Liaoning Provincial Committee of the Communist Party of China, Li Keqiang, initiated the “Five Points, One Line” strategy* (五點一線) to develop the entire Liaoning coastline area, where Yingkou City began its extensive planning and development of the relevant approximately 1600 square kilometers of land which would form the Yingkou Coastal Economic Zone* (營口沿海經濟帶). As at the end of 2014, a total of 195 square kilometers of land has been developed and investment of fixed assets reached an accumulated amount of RMB510.8 billion.

According to the Yingkou City People’s Government website, the gross domestic product in Yingkou City reached approximately RMB159.1 billion in 2014, representing a CAGR of approximately 14.8% from 2009 to 2014. The per capital disposable income of urban household in Yingkou City recorded approximately RMB28,222 in 2014, representing a CAGR of approximately 13.7% from 2009 to 2014. Property investment in Yingkou City reached approximately RMB14.85 billion in 2014, representing a CAGR of approximately 5.5% from 2009 to 2014. Sales revenue from properties sold in Yingkou City decreased by a CAGR of approximately 5.7% from 2009 to 2014, but remained above RMB9.5 billion since 2013.

(vi) Possible continuing connected transactions in relation to tenancy agreements with the associates of Mr. Meng

According to the Letter from the Board, in order to enhance the degree of transparency and provide a complete picture of the Acquisition to the Shareholders, the Directors would like to inform the Independent Shareholders that the Purchaser may enter into tenancy agreements with the associates of Mr. Meng, subject to (i) the Completion of the Acquisition; and (ii) the negotiation on the terms and conditions of the tenancy agreements between the parties.

Subject to (i) the Completion of the Acquisition; and (ii) the negotiation on the terms and conditions of the tenancy agreements between the parties, the Purchaser may enter into two tenancy agreements with two associates of Mr. Meng in relation to certain parts of the Medical Building, which is owned by the Target Company and situated in the middle of Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province in the PRC. The total gross floor area of the said property that may be leased to the associate of Mr. Meng is approximately 3,721.06 sq.m..

As the potential leasees are the associates of Mr. Meng, hence connected persons of the Company, the transactions contemplated under the potential tenancy agreements may constitute continuing connected transactions, which may be subject to the reporting, announcement requirements and the approval from the independent shareholders of the Company (if applicable) under Chapter 14A of the Listing Rules.

In any event, if the parties finalise the terms and conditions and enter into the tenancy agreements, the Company will comply with the Listing Rules and make relevant disclosure as applicable and appropriate.

4. Financial status and prospect of the Enlarged Group

Indebtedness of the Enlarged Group

According to the Company's interim report for the six months ended 30 September 2015, as at 30 September 2015, the Group had a total borrowings of HK\$5,215,930,000, of which HK\$3,195,903,000 was short-term borrowings and HK\$2,020,027,000 was long-term borrowings. This represented a gearing ratio (defined as total borrowings divided by total assets) of approximately 68.0%.

According to the representations by the Company, the Company expects to renew approximately HK\$1,200,000,000 of the short-term borrowings and repay the remain outstanding amount at maturity, and is expected to incur a total of approximately HK\$235,000,000 of finance cost in the forthcoming 12 months (subject to change).

According to the representations by the Company, in response, the Company has improved its cash position of approximately HK\$84,884,000 as at 30 September 2015 pursuant to the following: the Company has (i) received early repayments from its finance lease receivables and loan receivables in January 2016 as to a total of approximately HK\$579,280,000, (ii) entered into a placing agreement pursuant to which the Company is expected to raise approximately HK\$1.6 billion from this proposed placing of shares as set out in the Company's announcement dated 18 January 2016; (iii) entered into a sale and purchase agreement pursuant to which the Company is expected to raise approximately HK\$566 million from disposal of a subsidiary of the Company as set out in the Company's announcement dated 19 January 2016; and (iv) entered into a subscription agreement pursuant to which the Company is expected to raise approximately HK\$1.3 billion from this proposed subscription of convertible bonds as set out in the Company's announcement dated 20 January 2016.

Working capital sufficiency of the Enlarged Group

A comfort letter has been prepared by the financial adviser to the Company on the working capital sufficiency statement as detailed in Appendix I of this circular that as at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, after taking into account Enlarged Group's business prospects, the net assets position of the Enlarged Group, the internal financial resources available to the Enlarged Group in particular, the ample cash and bank balances of the Enlarged Group, the existing banking facilities available to the Group and the Acquisition, the Enlarged Group has sufficient working capital for its present operating requirements, that is for at least the next twelve months from the date of this circular, in the absence of any unforeseeable circumstances.

5. Possible Reasons 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 development and investments; (v) financial leasing; (vi) trading and logistics; (vii) medical management; and (viii) industrial equipment.

According to the Letter from the Board, the Company always has been looking for suitable investment opportunities to enrich the Company's investment portfolio and to enhance future earning capability of the Group. The Company is of the view that the Acquisition of the Target Group will strengthen the existing business segment in property investments and establishment in the Liaoning Province.

The Directors consider that the Acquisition is beneficial for the Group as it is a suitable investment opportunity to strengthen and develop the Group's existing property investments business and provide an opportunity to the Group to greater the return for the Shareholders.

In view of the above, the Directors consider that the entering into of the Sale and Purchase Agreement is on normal commercial terms in the ordinary and usual course of business of the Company after arm's length negotiation, and the terms of which are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders of the Company as a whole.

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 income, thus potentially greater return for the Shareholders.

After considering (i) the foregoing reasons for and possible benefits of the Acquisitions as well as (ii) the historical and expected property price of Yingkou City as detailed under the subsection headed "Decline in the property prices of Yingkou City" and (iii) the statistics of Yingkou City as detailed under the subsection headed "Overview of the economic status of Yingkou City" of this letter, it is fair and reasonable for the Directors to consider that the Acquisition is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

6. Dilution effect on the shareholding interests of the Independent Shareholders

As at the Latest Practicable Date, the Company has 3,939,020,085 Shares in issue. The shareholding interests of the Company as at (i) as at the Latest Practicable Date; and (ii) immediately after the Completion and issue of Consideration Shares, assuming all of the outstanding share options granted by the Company have not been exercised and the Shares falling to be issued by the Company under other transaction have not been completed and issued:

	(i) as at the Latest Practicable Date		(ii) immediately after the Completion and issue of Consideration Shares, assuming all of the outstanding share options granted by the Company have not been exercised	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Substantial Shareholder:				
HIL (Note 1):	2,250,082,214	57.13%	2,250,082,214	51.86%
Vendor or its nominee (Note 2):			400,000,000	9.22%
Sub-total:				61.08%
Public Shareholders:				
Mr. Meng:	1,628,507,500	41.34%	1,628,507,500	37.53%
Mr. Meng:	60,430,371	1.53%	60,430,371	1.39%
Total:	<u>3,939,020,085</u>	<u>100.00%</u>	<u>4,339,020,085</u>	<u>100.00%</u>

Notes:

- (1) The 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by Hua Jun Holding Group Co. Ltd* (華君控股集團有限公司). Mr. Meng and Madam Bao Le, being a spouse of Mr. Meng, held 97.5% and 2.5% respectively in Hua Jun Holding Group Co. Ltd* (華君控股集團有限公司). Mr. Meng was deemed to be interested in all Shares held by HIL by virtue of the SFO.
- (2) The 400,000,000 Shares will be beneficially owned by the Vendor, which is indirectly owned by Mr. Meng as to 77.5% and directly owned by an Independent Third Party as to 22.5%, or its nominee.

As depicted by the above table, as at the Latest Practicable Date, the shareholding interests of (i) HIL would be diluted from approximately 57.13% to approximately 51.86% and (ii) the existing public Shareholders (except Mr. Meng) of the Company would be diluted from approximately 41.34% to approximately 37.53% immediately after the Completion and issuance of Consideration Shares, assuming all outstanding shares options granted by the Company have not been exercised.

According to the Letter from the Board, although the issuance of Consideration Shares will result a dilution effect of the existing Shareholders' interests, which is minimal, the overall benefit of such issuance will outweigh the minimal dilution effect on shareholding interests.

7. Financial effects of the Acquisition

According to the Letter from the Board, Upon Completion, the Target Group will become the indirectly wholly-owned subsidiaries of the Company and their financial results will be consolidated into the financial results of the Group.

Assets and Liabilities

According to the Letter from the Board, set out in Appendix IV to this circular is the unaudited pro forma statement of assets and liabilities of the Enlarged Group which illustrates the financial effects of the Acquisition assuming Completion had taken place on 30 September 2015. Based on the unaudited pro forma financial information of the Enlarged Group, the total assets of the Group would increase approximately 16.19% from approximately HK\$7,672.2 million to approximately HK\$8,914.7 million and its total liabilities would increase approximately 5.19% from approximately HK\$6,371.7 million to approximately HK\$6,702.6 million.

Earnings

According to the accountants' report on the Target Company as set out in Appendix II to this circular, the Target Company recorded a net profit attributable to owners of the company of approximately RMB50.6 million for the period from 1 January 2015 to 31 August 2015. The Acquisition may lead to an increase on the Group's earnings if the Acquisition were completed on 30 September 2015.

Working Capital

According to the interim report of the Company for the six months ended 30 September 2015, the bank balances and cash of the Group was approximately HK\$84,884,000. According to the Appendix IV to this circular, upon completion of the Acquisition, the bank balances and cash of the Group is expected to be approximately HK\$95,826,000. Accordingly, the financial liquidity of the Group is expected to improve.

Gearing ratio

According to the interim report of the Company for the six months ended 30 September 2015, the Group's gearing ratio (defined as total borrowings divided by total assets) was approximately 68.0%. According to the representations by the Company, upon Completion and assuming the fulfillment of all Conditions under the Sale and Purchase Agreement, the Enlarged Group's gearing ratio is expected to decrease to approximately 62.0%. Therefore, the gearing ratio of the Group is expected to improve.

8. Risk Factors

Risk factors relating to the Group:

Adverse impact on the Group due to the recent downturn of the PRC economy

Recent downturn of the PRC economy in 2015 may have an adverse impact on the business operations of the Group. Therefore, the financial position of the Group may be materially and adversely impaired.

Difficulties in raising funds in the capital market

Significant and adverse impacts have been caused on the global economy for the years 2016 and 2017 due to the (1) recent increase in interest rate by the Federal Reserve in the United States, (2) recent downturn of PRC economy and emerging countries' economies (especially Brazil and India), (3) depreciation of the lawful currencies of Russia and PRC, (4) European Refugee Crisis, (5) global crisis of terrorism, (6) recent unprecedented decreasing oil price at around US\$30 per barrel, (7) geopolitical crisis, and (8) conflicts between Iran and Iraq and in Middle East.

Such recent downturn in the global economy have continuous significant and adverse impact on the global capital market and may extend to the secondary market as for funding of already listed company such as placings and rights issues. It is possible that the Company will face uncertainties and difficulties for raising finance and funding, including the recent fundraising activities of the Company as detailed in the subsection headed "Indebtedness of the Enlarged Group" on page 58, for the forthcoming years in order to survive and counteract the said adverse impact on the business operations of the Group.

Indebtedness of the Group

As at 30 September 2015, the Group had a total borrowings of HK\$5,215,930,000, of which HK\$3,195,903,000 was short-term borrowings and HK\$2,020,027,000 was long-term borrowings. This represented a gearing ratio (defined as total borrowings divided by total assets) of approximately 68.0%. According to the representations by the Company, the Company is expected to incur a total of approximately HK\$235,000,000 of finance cost in the forthcoming 12 months (subject to change). Therefore, amid the said risk factors as detailed above, the Company may not be able to sustain such high finance costs and the financial position of the Company may be adversely affected.

Interest rate risk

The Federal Reserve of the United States increased interest rate in late 2015. It is possible that there would be an increase in the PRC interest rates in 2016 in response to the RMB devaluation (as detailed below) and the said U.S. interest rate increase. The upcoming renewals of the Group short-term borrowings (current liabilities) may be subject to higher interest rate, resulting in higher finance cost for the Group in the future. This may lead to a material adverse impact on the financial position of the Group.

Risk factors relating to the Target Group:**Going concern of the Target Group**

According to the Accountants' Report of the Target Group, the net current liabilities of the Target Group was approximately HK\$156,794,000 as at 31 August 2015 and may cast significant doubt about the Target's Group ability to continue as a going concern. According to the Conditions under the Sale and Purchase Agreement, all liabilities of the Target Group shall be borne by the Vendor (except for the Deposits Received) and the Target Group does not owe any loan and/or liabilities to any other third parties. If all the said liabilities are not repaid and/or borne by the Vendors by Completion, the Target Group may have issues as a going concern. Hence the Completion of the Acquisition may or may not take place.

Financial Status of the Vendors

The financial status of the Vendors are not available for assessment purposes. Therefore, the Vendor may not have the financial competence or capability to repay and/or take up all the liabilities of the Target Group. Hence the Completion of the Acquisition may or may not take place.

Exchange rate risk

The Renminbi to Hong Kong Dollar exchange rate declined unexpectedly by approximately 4.5% during the year 2015. It is possible that the decline may continue in 2016. The Consideration for the Acquisition is specified in Renminbi but payable in Hong Kong Dollar, with the exchange rate of the said currencies determined at the date of the Sale and Purchase Agreement. Therefore, any further possible devaluation of the Renminbi may lead to a decrease in the value of the Target Group and its properties to the Group, and may adversely affect the revenue and profit generated from the sale of said properties and the rental income arising from the Target Group after the Acquisition.

Adverse impact on the business of the Target Group due to the recent downturn of the PRC economy

Recent downturn of the PRC economy in 2015 may have an adverse impact on the Target Group. As the business of the Target Group is mainly focused on the property industry, such downturn of the PRC economy and the said RMB devaluation may have adverse impact on the future rental income and sale of the properties under the Target Group, which may in turn adversely affect the business operations and financial position of the Enlarged Group.

Target Group may incur loss in the future

As the Target Group only recorded profit in 2014 after losses for the years 2012 and 2013, it may require time for improvement in quality and enhancement of market reputation of the business of the Target Group in order to boost revenue in the future. Hence the turnover may stay relatively low and losses may happen in the near future of the Target Group due to the said downturn of the PRC economy and the property market. This is a potential risk which may give rise to a material adverse impact on the Enlarged Group's business operations and financial position.

Assumption and factors of the preliminary Valuation Report may not be realized

The Valuation Report was compiled by the independent valuer based on certain factors and assumptions estimated by the management of the Company, management of the Target Group and/or their representatives. The said assumptions and factors may not be realized and may affect the evaluation significantly.

Possible unidentified risks concerning the Acquisition

Although the Group has conducted preliminary due diligence with respect to the Acquisition, the Group may not identify all material risks associated with the Acquisition due to inherent limitations of due diligence, including, among other things, unforeseen contingent risks or latent liabilities relating to the entities acquired or to be acquired that may not become apparent until in the future. Any such unidentified risk could have a material adverse impact on the Group's business, financial condition and results of operations after the completion of the Acquisition. Even if the Group identifies any such risk and terminates the Sale and Purchase Agreement prior to the Completion, the Group's reputation may be harmed and the Group's prospects may be materially and adversely affected.

The Shareholders shall be fully aware of the implications and impact of the risk factors hereinabove to the Acquisition.

9. Listing Rules Implications

As at the Latest Practicable Date, the Vendor is an associate (as defined under the Listing Rules) of Mr. Meng, who is the chairman and the executive Director of the Company and a substantial shareholder (as defined in the Listing Rules) of the Company, and hence a connected person of the Company under the Listing Rules. Therefore, the transactions contemplated under the Acquisition constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the Acquisition exceeds 25% and the Consideration exceeds HK\$10,000,000, the Acquisition constitutes non-exempt connected transactions for the Company and are subject to reporting, annual review, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The Vendor, HIL, Mr. Meng and their respective associates (as defined under the Listing Rules) are required to abstain from voting on the resolution(s) in respect of the Acquisition at the SGM. At the Board meeting approving the Acquisition, Mr. Meng has abstained from voting on the relevant Board resolution for considering and approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

LETTER FROM WALLBANCK BROTHERS SECURITIES (HONG KONG) LIMITED

As at the Latest Practicable Date, (i) the Vendor does not own any Shares, (ii) HIL holds 2,250,082,214 Shares representing 57.13% of the issued share capital of the Company and (iii) Mr. Meng is also personally interested in 60,430,371 Shares. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Mr. Meng and HIL, no Director or Shareholder has a material interest in the Sale and Purchase Agreement. Accordingly, apart from Mr. Meng, HIL and their respective associates, no other Shareholder is required to abstain from voting at the SGM in respect of the resolutions relating to the Sale and Purchase Agreement.

Further, as the relevant applicable ratios for the Acquisition under the Sale and Purchase Agreement are more than 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 reporting, announcement and Shareholders' approval requirements under the Listing Rules.

RECOMMENDATION

Having considered the above principal factors and the reasons and the Directors' representations, on balance and in general terms, we are of the opinion that in such circumstance and at this stage, the terms of Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
**WALLBANCK BROTHERS
Securities (Hong Kong) Limited**
Phil Chan
Chief Executive Officer

A. THREE-YEAR AUDITED FINANCIAL INFORMATION

Details of the financial information of the Group for each of the three years ended 31 March 2013, 2014 and 2015 are disclosed in the annual reports of the Company for the financial years ended 31 March 2013 (pages 27 to 93), 31 March 2014 (pages 28 to 99) and 31 March 2015 (pages 27 to 107), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at <http://www.huajunholdings.com> and the website of the Stock Exchange at www.hkexnews.hk.

B. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 December 2015, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following liabilities:

(a) Borrowings

As at the close of business on 31 December 2015 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately HK\$5,624.8 million, comprising secured bank borrowings of approximately HK\$3,782.8 million, unsecured bank borrowings of approximately HK\$25.8 million, unsecured borrowings from immediate holding company of HK\$632.3 million and unsecured borrowings from a third party of HK\$1,183.9 million.

(b) Pledge of assets

As at the close of business on 31 December 2015, the Group's property, plant and equipment, prepaid lease payments, investment properties, land and property for sale, finance lease receivables, trade receivables and pledged bank deposits with carrying amounts of approximately HK\$494.9 million, HK\$148.9 million, HK\$618.5 million, HK\$113.8 million, HK\$427.0 million, HK\$17.8 million, HK\$469.7 million respectively were pledged to secure certain banking and credit facilities of the Group.

(c) Guarantees

As at the close of business on 31 December 2015, the Company had provided corporate guarantees to the extent of approximately HK\$208.0 million to secure general banking facilities granted to its subsidiaries. As at 31 December 2015, the amount drawn against the banking facilities amounted to approximately HK\$62.3 million.

Save as above or otherwise mentioned in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any other outstanding indebtedness at the close of business on 31 December 2015 or any loan capital issued and outstanding or agreed to be issued, bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

C. MATERIAL ADVERSE CHANGE

Save and expect as disclosed in the announcement of the Company dated 13 November 2015 (the “**Profit Warning Announcement**”), as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 March 2015, being the date to which the latest audited consolidated financial statements of the Group were made up.

As disclosed in the Profit Warning Announcement and the report (the “**Interim Report**”) set out the Group’s unaudited consolidated interim results for the six months ended 30 September 2015 which was published on 3 December 2015, the Group recorded a net loss for the six months ended 30 September 2015 as compared to the profit for the corresponding period in 2014. The net loss is mainly attributable to (i) the impairment of goodwill in connection with an investment in a subsidiary and (ii) the increase in finance costs due to increase in borrowings for investment and general working capital. Please refer to the Profit Warning Announcement and the Interim Report for further details.

D. WORKING CAPITAL

As at the Latest Practicable Date, after due and careful enquiry, the Directors are of the opinion that, after taking into account Enlarged Group’s business prospects, the net assets position of the Enlarged Group, the internal financial resources available to the Enlarged Group in particular, the ample cash and bank balances of the Enlarged Group, the existing banking facilities available to the Group and the Acquisition, the Enlarged Group has sufficient working capital for its present operating requirements, that is for at least the next twelve months from the date of this circular, in the absence of any unforeseeable circumstances.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will remain its focus in its eight core business segments, namely (i) the sale and manufacture of high quality multi-color packaging products, carton boxes, books, brochures and other paper products; (ii) provision of finance; (iii) securities investments; (iv) property development and investments; (v) financial leasing; (vi) trading and logistics; (vii) medical management and (viii) industrial equipment, and will continue to optimize its assets structure to ensure balanced growth with enhanced rate of return on investments.

In respect of the printing business, the Group will continue to invest in machinery and automation of production process to enhance the production efficiency. Regarding the segment of provision of financing services, the Group, through its subsidiary with money lender’s license, intends to provide finances to prospective customers who would provide securities for the performance of their respective obligations to repay the Group. The Group is exploring other investment opportunities in the core business segments.

(i) Sale and manufacture of high quality multi-color packaging products, carton boxes, books, brochures and other paper products

The operation of this segment is mainly located in Hong Kong, the PRC and the United States of America. The business have been established for more than fifty years. Management expects this business will continue to benefit from the opportunities in the PRC, the United States and European markets. This segment will continue to be the major business segment of the Group and contribute stable revenue and profit to the Group.

(ii) Provision of Finance

The operation of this segment is mainly located in Hong Kong. The Group will further develop this business segment, diversify the customer portfolio, seek opportunity to cooperate with its business partners and is actively looking for new business opportunities in the PRC to extend the money lending platform of the Group.

(iii) Securities Investments

The securities investments segment consists of the investments in the Hong Kong and Overseas securities. This segment mainly utilizes the extensive investment experience of the management to make medium and short-term investment by searching for stable revenue with controllable risk, diversifying the corporate operating risk, improving asset liquidity and enhancing the debt-paying ability of the Group.

(iv) Property Development and Investments

Property development and investments segment consists of land consolidation and development, real estate development and sales, property leasing and management, and various real estate business. Leveraging on the rich resources in the PRC, the Company seeks for development projects with asset appreciation potential for investment and enjoys asset appreciation while obtaining stable revenue.

(v) Financial Leasing

Financial Leasing segment consists of the leasing of land, property, plant and equipment and other tangible assets. The operation of this segment is mainly located in the PRC and the Company seeks for stable revenue with controllable risk.

(vi) Trading and Logistics

The trading and logistics segment consists of the trading of electronic, oil and timber products. The operation of this segment is mainly located in Hong Kong and the PRC. The business has been established since the fiscal year 2014/15. Management expects this business will continue to benefit from the stable demand in Hong Kong and the PRC markets for the Group's products.

(vii) Medical Management

Medical investment segment is one of the investment segment the Group which will seek for further development in accordance with the call on hospital reform of the Ministry of Health, to improve the quality of PRC citizens' healthcare services and to develop the medical and health care industry. The Group will look for other opportunities in cooperation with other hospital/medical center in the PRC for the provision of medical management services.

(viii) Industrial equipment

The Group started a new segment in August 2015 following the acquisition of Zhejiang Linhai Machinery Co. Ltd

The Group always endorses a prudent philosophy of good governance, stresses in term of risk management, and attends to maintain excellent assets quality, stability and financial resources. At the same time, the Group has been proactively seeking for core business returns and exploring new business opportunities carefully.

To the best knowledge of the Directors, the Directors are optimistic about the future development of the Group. The Directors expect that the Group would have sufficient funds for the existing requirement of the Group. The Group will also continue proactively and prudently to seek new investment opportunities under the right circumstances, with a view to increasing value for the Shareholders.

The following is the full text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountant auditors, BDO Limited, Certified Public Accountants, Hong Kong addressed to the Directors.



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The Board of Directors
Huajun Holdings Limited

Dear Sirs,

We set out below our report on the financial information of Liaoning Bao Hua Properties Development Co., Ltd.* (遼寧保華房地產開發有限公司) (the “**Target Company**”) and its subsidiaries that are to remain as at the completion of the proposed acquisition of the entire share capital of the Target Company by Huajun Holdings Limited (the “**Company**”), namely Bao Hua Properties (Dalian) Co., Ltd.* (保華地產(大連)有限公司), Bao Hua Properties (Yingkou) Real Estate Co., Ltd.* (保華地產(營口)置業有限公司) and Yingkou Royal Lake Garden Health and Wellness Centre Co. Ltd* (營口禦水碧園健康養生中心有限公司) (hereinafter collectively referred to as the “**Target Group**”) comprising the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for each of the three years ended 31 December 2012, 2013 and 2014 and the eight months ended 31 August 2015 (the “**Relevant Periods**”) and the combined statements of financial position of the Target Group as at 31 December 2012, 2013, 2014 and 31 August 2015, together with a summary of significant accounting policies and other explanatory notes (the “**Financial Information**”), for inclusion in the circular of the Company dated 1 February 2016 (the “**Circular**”) in connection with the proposed acquisition of the Target Group by the Company.

The Target Company was incorporated in People’s Republic of China (“**PRC**”) and registered as a limited liability company.

The entities comprising the Target Group have adopted 31 December as their financial year end date. Details of the entities comprising the Target Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1 (a) to the Financial Information below. The statutory financial statements of these companies were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Target Group for the Relevant Periods (the “**Underlying Financial Statements**”) in accordance with the basis of presentation and the accounting policies set out in note 2 to the Financial Information below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

* For identification purpose only

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

RESPONSIBILITY

The directors of the Company are responsible for the contents of the Circular including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation and the accounting policies set out in note 2 to the Financial Information below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

BASIS OF OPINION

For the purpose of this report, we have examined the Financial Information of the Target Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA. For the purpose of this report, no adjustment to the Financial Information is considered necessary.

EMPHASIS OF MATTER – MATERIAL UNCERTAINTY REGARDING THE GOING CONCERN ASSUMPTION

Without qualifying our opinion, we draw attention to note 2.3 to the Financial Information below which indicates that the Target Group had net current liabilities of RMB128,521,000 as at 31 August 2015. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Target Group’s ability to continue as a going concern.

OPINION

In our opinion, for the purpose of this report, the Financial Information prepared on the basis as set out in note 2 to the Financial Information below and in accordance with the accounting policies set out in note 2 to the Financial Information below, gives a true and fair view of the state of affairs of the Target Group as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015 of the results and cash flows of the Target Group for each of the Relevant Periods.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited comparative financial information of the Target Group including the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, and combined statements of cash flows for the eight months ended 31 August 2014, together with the notes thereto (the “Comparative Financial Information”), for which the directors of the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by HKICPA. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review.

A review consists principally of making enquiries of the Target Group’s management and applying analytical procedures to the Comparative Financial Information and other review procedures. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit and consequently does not enable us to obtain assurance that we would be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Eight months ended 31 August	
		2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Revenue	6	1,453	34,661	103,920	97,890	4,770
Cost of sales		(1,395)	(25,102)	(58,974)	(54,245)	(3,569)
Gross profit		58	9,559	44,946	43,645	1,201
Other income	7	29	1	5,856	50	20,059
Selling and distribution expenses		(382)	(33)	(333)	(275)	(309)
Administrative expenses		(6,141)	(7,131)	(9,671)	(4,905)	(7,937)
Other expenses		(2,459)	(4,798)	(12)	(21)	(24)
Gain/(loss) arising on change in fair value of investment properties		(8,337)	2,600	(2,451)	–	51,310
Finance costs	8	(727)	(176)	–	–	(1)
(Loss)/profit before income tax	9	(17,959)	22	38,335	38,494	64,299
Income tax expense	10	(200)	(5,456)	(12,399)	(11,348)	(13,697)
Profit/(loss) and total comprehensive income for the year/period		(18,159)	(5,434)	25,936	27,146	50,602

Combined Statements of Financial Position

		As at 31 December			As at
		2012	2013	2014	31 August
	Notes	RMB'000	RMB'000	RMB'000	2015
					RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment properties	13	57,105	59,705	58,305	240,000
Property, plant and equipment	14	12,507	11,433	10,284	10,982
		<u>69,612</u>	<u>71,138</u>	<u>68,589</u>	<u>250,982</u>
Current assets					
Properties under developments and properties held for sale	15	475,937	736,894	737,946	314,222
Inventories	16	–	–	5	400
Trade receivables	17	1,330	–	–	93
Deposits, prepayments and other receivables	18	71,108	68,994	820,622	63,593
Amounts due from related parties	19	1,207	136,672	13,013	333,125
Pledged deposits	20	–	–	–	50,000
Cash and cash equivalents	21	52	156	149	9,957
		<u>549,634</u>	<u>942,716</u>	<u>1,571,735</u>	<u>771,390</u>
Current liabilities					
Trade payables	22	26,867	255,747	156,142	72,339
Accruals, deposits received and other payables	23	382,304	343,110	303,715	183,762
Amounts due to related parties	24	50,595	375,356	1,105,183	628,869
Provision for taxation		200	4,795	15,502	14,941
Bank borrowings	25	120,000	1,000	–	–
		<u>579,966</u>	<u>980,008</u>	<u>1,580,542</u>	<u>899,911</u>
Net current liabilities		<u>(30,332)</u>	<u>(37,292)</u>	<u>(8,807)</u>	<u>(128,521)</u>
Total assets less current liabilities		<u>39,280</u>	<u>33,846</u>	<u>59,782</u>	<u>122,461</u>
Non-current liabilities					
Deferred tax liabilities	26	–	–	–	12,077
Net assets		<u>39,280</u>	<u>33,846</u>	<u>59,782</u>	<u>110,384</u>
CAPITAL AND RESERVES					
Share capital	27	20,000	20,000	20,000	20,000
Reserves		19,280	13,846	39,782	90,384
Total equity		<u>39,280</u>	<u>33,846</u>	<u>59,782</u>	<u>110,384</u>

Combined Statements of Changes in Equity

	Share capital RMB'000	Statutory reserve* RMB'000 (Note a)	Retained profits* RMB'000	Total RMB'000
At 1 January 2012	10,000	4,043	33,396	47,439
Loss and total comprehensive income for the year	–	–	(18,159)	(18,159)
Capital injection (note b)	10,000	–	–	10,000
At 31 December 2012 and 1 January 2013	20,000	4,043	15,237	39,280
Loss and total comprehensive income for the year	–	–	(5,434)	(5,434)
At 31 December 2013 and 1 January 2014	20,000	4,043	9,803	33,846
Profit and total comprehensive income for the year	–	–	25,936	25,936
Transfer to reserve	–	3,053	(3,053)	–
At 31 December 2014 and 1 January 2015	20,000	7,096	32,686	59,782
Profit and total comprehensive income for the period	–	–	50,602	50,602
At 31 August 2015	<u>20,000</u>	<u>7,096</u>	<u>83,288</u>	<u>110,384</u>
At 31 December 2013 and 1 January 2014	20,000	4,043	9,803	33,846
Profit and total comprehensive income for the period (unaudited)	–	–	27,146	27,146
Transfer to reserve (unaudited)	–	2,720	(2,720)	–
At 31 August 2014 (unaudited)	<u>20,000</u>	<u>6,763</u>	<u>34,229</u>	<u>60,992</u>

* The total of these accounts as at the reporting dates represents "Reserves" in the combined statements of financial position.

Notes:

- (a) The statutory reserves represent the amount transferred from net profit for the year of the subsidiaries established in the PRC (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reaches 50% of the registered capital of the subsidiaries. The statutory reserves cannot be reduced except either in setting off the accumulated losses or increasing capital.
- (b) On 6 March 2012, the shareholder of the Target Company inject capital in cash equivalent to RMB10,000,000 into the Target Company for working capital of daily operation.

Combined Statements of Cash Flows

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000	2015 RMB'000
				(unaudited)	
Cash flows from operating activities					
(Loss)/profit before income tax	(17,959)	22	38,335	38,494	64,299
Adjustments for:					
Depreciation of property, plant and equipment	1,255	1,335	1,409	705	1,091
Finance costs	13,857	176	–	–	1
Interest income	(7)	(1)	(42)	(50)	(4)
Change in fair value of investment properties	8,337	(2,600)	2,451	–	(51,310)
Impairment loss on other receivables	–	3,300	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating profit before working capital changes	5,483	2,232	42,153	39,149	14,077
Decrease/(Increase) in trade receivables	(890)	1,330	–	–	(93)
Decrease/(Increase) in deposits, prepayments and other receivables	(14,790)	(1,186)	(751,628)	(1,480,288)	757,029
Decrease/(Increase) in properties under developments and properties held for sale and inventories	(38,179)	(260,957)	(1,057)	67,106	292,944
(Decrease)/Increase in trade payables	(53,879)	228,880	(99,605)	(118,071)	(83,803)
(Decrease)/Increase in accruals, deposits received and other payables	64,813	(39,194)	(39,395)	(17,533)	(119,953)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash (used in)/generated from operations	(37,442)	(68,895)	(849,532)	(1,509,637)	860,201
Profit tax paid	(1,144)	(861)	(1,692)	(703)	(2,181)
Interest paid	(13,857)	(176)	–	–	(1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net cash (used in)/generated from operating activities</i>	<u>(52,443)</u>	<u>(69,932)</u>	<u>(851,224)</u>	<u>(1,510,340)</u>	<u>858,019</u>

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(1,115)	(261)	(260)	(15)	(1,789)
Purchase of investment properties	(16,397)	–	(1,051)	–	–
Increase in pledged deposits	–	–	–	–	(50,000)
Advance to related parties	–	(6,773)	(2,007)	–	–
Interest received	7	1	42	50	4
(Decrease)/increase in amount due from related parties	80,047	196,069	855,493	1,511,280	(796,426)
Net cash (used in)/generated from investing activities	<u>62,542</u>	<u>189,036</u>	<u>852,217</u>	<u>1,511,315</u>	<u>(848,211)</u>
Cash flows from financing activities					
Proceeds from bank borrowings	80,000	1,000	–	–	–
Repayment of bank borrowings	(104,260)	(120,000)	(1,000)	(1,000)	–
Capital injection	10,000	–	–	–	–
Net cash used in financing activities	<u>(14,260)</u>	<u>(119,000)</u>	<u>(1,000)</u>	<u>(1,000)</u>	<u>–</u>
Net increase/(decrease) in cash and cash equivalents	(4,161)	104	(7)	(25)	9,808
Cash and cash equivalents at beginning of the year/period	<u>4,213</u>	<u>52</u>	<u>156</u>	<u>156</u>	<u>149</u>
Cash and cash equivalents at end of the year/period	<u>52</u>	<u>156</u>	<u>149</u>	<u>131</u>	<u>9,957</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

(a) Background

The Target Company is a limited liability company established in PRC on 19 May 2009. The Company's registered office and principal place of business is located at 3 Changjiang Road, Yingkou Economic Development Zone, Yingkou City Liaoning Province* (遼寧省營口市營口經濟技術開發區長江路03號). The principal activities of the Target Company are property investment and investment holdings.

The reporting entities comprises the Target Company and its subsidiaries, namely Baohua Dalian, Baohua Yingkou and Royal Lakes Garden, but excluding Yingkou Ding Cheng Real Estates Development Co., Ltd* (營口鼎誠房地產開發有限公司), Bao Hua Property Management (Dalian) Co., Ltd* (保華物業管理(大連)有限公司), Dalian Hai Tong Real Estates Development Co., Ltd* (大連海通房地產開發有限公司), Dalian Tai Yuan Real Estates Development Co., Ltd* (大連泰元房地產開發有限公司) ("Dalian Tai Yuan"), Dalian Zhen Fa Real Estates Development Co., Ltd* (大連振發房地產開發有限公司) ("Dalian Zhen Fa") and Bao Hua Yipin Properties (Dalian) Co., Ltd* (保華一品地產(大連)有限公司) ("Carve-Out Companies"). Particulars of the subsidiaries of the Target Group included in the preparation of the Financial Information are as follows:

Name of subsidiary	Date of establishment	Place of incorporation and business	Proportion of ownership interest			Principal activity
			Issued and paid up capital	Group's effective interest	Held by the Target Company	
Bao Hua Properties (Dalian) Co., Ltd.* (保華地產(大連)有限公司) ("Baohua Dalian")	15 January, 2014	PRC	RMB 10 million	100%	100%	Properties development and property management
Bao Hua Properties (Yingkou) Real Estate Co., Ltd.* (保華地產(營口)置業有限公司) ("Baohua Yingkou")	8 March, 2007	PRC	RMB 8 million	100%	100%	Properties development, renovation and trading of construction material
Yingkou Royal Lake Garden Health and Wellness Centre Co. Ltd* (營口禦水碧園健康養生中心有限公司) ("Royal Lakes Garden")	28 January, 2015	PRC	RMB 10 million	100%	-	Provision of food services, commercial service and accommodation

The statutory financial statements of Baohua Yingkou for the three years ended 31 December 2012, 2013 and 2014 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the PRC and were audited by Liaoning Yiu Tai Accounting Firm Co., Limited (遼寧銀泰會計師事務所有限責任公司), certified public accountants registered in the PRC.

As at the date of this report, no audited financial statements have been prepared for the Target Company, Baohua Dalian and Royal Lakes Garden as they are not subject to statutory audited requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The details of group structure and basis of preparation and presentation for the Financial Information of the Target Group are disclosed in notes 1(b) and 2.1 respectively.

* for identification purpose only

(b) **Proposed acquisition**

On 7 October 2015, the Company announced its proposal to acquire the entire interest of the Target Group at an consideration of RMB750 million (equivalent to HK\$915 million), HK\$315 million of which will be paid in cash and the remaining HK\$600 million will be settled by allotment and issuance of the Company's ordinary shares at HK\$1.5 each ("**Proposed Acquisition**") pursuant to the sale and purchase agreement entered into between an indirect wholly-owned subsidiary of the Company as the purchaser and Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司) (*for identification purpose only) as the vendor (the "Sales and Purchase Agreement").

Under the Sales and Purchase Agreement, the Target Company and its subsidiaries will undergo a corporate restructuring prior to the completion of the Proposed Acquisition, under which all subsidiaries of the Target Company, except Baohua Dalian, Baohua Yingkou, Royal Lakes Garden and certain properties developments operated by the Target Company and Baohua Yingkou as specified in the Sale and Purchase Agreement, will be transferred out of the Target Company.

2. **SIGNIFICANT ACCOUNTING POLICIES**

2.1 **Basis of preparation and presentation**

The business of the Target Group has formed a part of the larger group of the Target Company and all of its subsidiaries (the "**Overall Group**") during the Relevant Periods.

For the purpose of preparation of the Financial Information of the Target Group, the assets and liabilities, and the results of the Target Company, Baohua Dalian, Baohua Yingkou and Royal Lakes Garden are combined and the Carve-Out Companies are excluded (i.e. a "carve-out" basis) as compared with the assets and liabilities, and the results of the Overall Group prepared on a consolidated basis.

Management of the Company is of the view that it is more appropriate to present the Financial Information of the Target Group during the Relevant Periods on a "carve-out" basis, rather than to present the financial information of the Overall Group prepared on a consolidated basis, due to the following reasons:

- There are clearly identifiable assets, liabilities, revenue and expenditures of the Target Group and of the Carve-Out Companies respectively.
- It is practicable to identify the historical financial information attributable to the Target Group's business given that the accounting books and records of the Target Group are maintained separately from the accounting books and records of the Carve-Out Companies.
- Carve-Out Companies does not form part of the assets to be acquired by the Company under the Proposed Acquisition and hence its historical financial information is not relevant to the trading record of the business proposed to be acquired. The Company's management believes that presenting the consolidated financial information of the Overall Group, which would include the results of Carve-Out Companies that is not the subject of the Proposed Acquisition, would provide irrelevant and potentially misleading financial information to the users of the Financial Information.
- The consolidated financial information of the Overall Group had never been prepared by management of the Target Group on a standalone basis.
- Presenting the Financial Information of the Target Group on a "carve-out" basis would provide more direct and relevant information to the users of the Financial Information.

No significant adjustments or allocations of expenses were made in the Financial Information.

For the purpose of the Proposed Acquisition as stated in note 1(b), the Financial Information of the Target Group has been prepared and presented on the basis as if the corporate restructuring as stated in note 1(b) had been completed as at the beginning of the Relevant Periods and the group structure of the Target Group remained unchanged throughout the Relevant Periods.

Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the Financial Information of the Target Group. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

There were no transactions between the Target Group and the Carve-Out Companies during the Relevant Periods.

2.2 Statement of compliance

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2.1 and the accounting policies set out below, which conform the HKFRS issued by HKICPA. The Financial Information also complies with the applicable disclosure requirement of the Hong Kong Companies Ordinance and the Listing Rules.

The HKICPA has issued a number of new or revised HKFRSs which are relevant to the Target Group and became effective during the Relevant Periods. In preparing this Financial Information, the Target Group has adopted all these new or revised HKFRSs consistently throughout the Relevant Periods.

At the date of this report, HKICPA has issued certain new or amended HKFRSs but are not yet effective and have not been adopted early by the Target Group. Details of which are set out in note 3.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the eight months ended 31 August 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

2.3 Basis of measurement and going concern assumption

The Financial Information has been prepared on the historical cost basis except for investment properties which are measured at their fair values as explained in the accounting policies set out below.

As at 31 August 2015, the Target Group had current liabilities exceed its current assets by RMB128,521,000. This situation indicates the existence of a material uncertainty that may cast significant doubt on the Target Group's ability to continue as a going concern and therefore, the Target Group may not be able to realise its assets and discharge its liabilities in the normal course of business. Although the Target Group had net current liabilities of RMB128,521,000 as of 31 August 2015, in the opinion of the directors the Target Group will have sufficient working capital to finance its operations and remain as a going concern in the foreseeable future having taken into account the terms of the Proposed Acquisition including the corporate reorganisation and the fulfilment of the precedent conditions set out in the Sale and Purchase Agreement, in particular the assumption of the Target Group's liabilities by the vendors. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

2.4 Functional currency

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Target Company and the Target Group.

2.5 Use of estimates and judgements

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual result may ultimately different from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 4.

2.6 Properties under development and Properties held for sale

Properties under development developed for future sale in the ordinary course of business are included in current assets at the lower of cost and net realisable value. It comprises the consideration for development expenditure (which includes cost of land use rights, construction cost and capitalised finance costs) directly contributable to the development of properties.

Properties held for sale are stated at the lower of cost and net realisable value.

2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Sales of properties held for sale

Revenue arising from the sales of properties held for sale is recognised upon the execution of a binding sale agreement, full payment of consideration and fulfilling the terms of the binding sale agreements, which is taken to be the point in time when the risk and rewards of ownership of the property have passed the buyer.

Sales of goods

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Target Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Target Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Target Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of services is recognised when services are rendered.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Target Group's policy for recognition of revenue from operating leases is described in the accounting policy below.

2.8 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Target Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land for own use

When a lease includes both land and building elements, the Target Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Target Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lumpsum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as 'prepaid lease payments' in the combined statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

2.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Target Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.10 Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes are stated in the combined statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment over their useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.11 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Target Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.12 Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange difference arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting combined financial statements, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interests appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Target Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Target Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

2.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using weighted average cost formula. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.15 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Target Group's financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of a portfolio of identified financial instruments that the Target Group manages together and as a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 34(d).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment loss of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the allowed credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities (including trade and other payables and borrowings) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Derecognition

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

2.16 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the combined statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Target Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2.17 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

2.18 Provisions and contingent liabilities

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.19 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Target Group if:

- (a) A person or a close member of that person's family is related to the Target Group if that person:
 - (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of key management personnel of the Target Group or the Target Company's parent.
- (b) An entity is related to the Target Group if any of the following conditions apply:
 - (i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3. NEW OR REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

New standards, interpretations and amendments not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Target Group's future financial statements:

HKFRSs (Amendment)	Annual Improvements 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9 (2014)	Financial Instruments ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
HKFRS 14	Regulatory Deferral Accounts ¹
HKFRS 15	Revenue from Contracts with Customers ²

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2018

³ Effective date not yet announced

The directors of the Company anticipate that all of the pronouncements will be adopted in the Target Group's accounting policy for the first period beginning after the effective date of the pronouncement. The directors of the Company are currently assessing the possible impact of the new or revised standards on the Target Group's results and financial position in the first year of application. Those new or revised HKFRSs that is expected have a significant effect on the Target Group's financial statements are set out below:

HKFRS 9 (2014) Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at FVTOCI if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at FVTPL.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The directors of the Company are in the process of assessing the impact of the application of HKFRS 9 in the future. It is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Target Group's combined financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Target Group performs a detailed review.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Target Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Depreciation and amortisation

Property, plant and equipment are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets. The Target Group reviews the estimated useful lives and residual values, if any, of the assets annually in order to determine the amount of depreciation and amortisation expenses for the end of each reporting period. The useful lives are estimated based on historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are material changes from previous estimates.

(b) Provision for inventories

The Target Group reviews the carrying amounts of inventories at the end of each reporting period to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with the accounting policy set out in note 2. The Target Group estimates the net realisable value based on the current market situation and historical experience on similar inventories. A considerable level of judgement is exercised by the Target Group when assessing the net realisable value of inventories. Any increase or decrease in provision for inventories would affect profit or loss in future periods.

(c) Impairment of assets

Internal and external sources of information are reviewed by the Target Group at the end of each reporting period to assess whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the assets is estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect profit or loss in future periods.

Impairment losses on trade debtors are assessed and provided based on management's regular review of ageing analysis and evaluation of collectability. A considerable level of judgement is exercised by the directors when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses on trade debtors would affect profit or loss in future periods.

(d) Income taxes

The Target Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences would affect profit or loss in future periods.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses and deductible temporary differences can be utilised. Estimation of future taxable profits involves judgements made by management. Any increase or decrease in the recognition of deferred tax assets would affect profit or loss in future periods.

(e) Investment properties

Investment properties are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Target Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Target Group engages third party qualified valuers to perform the valuation. The directors works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Target Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 13 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

5. SEGMENT INFORMATION

For management purpose, the Target Group operates in one business unit based on their products, and has one reportable and operating segment: Property development and investment. The director of the Target Company, being the chief operating decision maker, reviews sales reports to determine the selling price of their products and monitors the operating results of its business unit for the purpose of making decisions about resource allocation and performance assessment.

No geographic information has been presented as all of the Target Group's operating activities are carried out in PRC.

6. REVENUE

Revenue represents the net amounts received and receivable from third parties. An analysis of the Target Group's revenue is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Sales of properties	1,453	34,661	102,170	96,890	1,922
Rental income and building management service income	–	–	1,750	1,000	2,000
Others	–	–	–	–	848
	<u>1,453</u>	<u>34,661</u>	<u>103,920</u>	<u>97,890</u>	<u>4,770</u>

For the years ended 31 December 2012, 2013, 2014 and the periods ended 31 August 2014 and 2015, no customer with who transactions have exceeded 10% of the Target Group's revenue.

7. OTHER INCOME

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Other income:					
Interest income on bank deposits	7	1	42	50	4
Government grants (<i>note a</i>)	–	–	5,808	–	–
Compensation income (<i>note b</i>)	–	–	–	–	20,052
Others	22	–	6	–	3
	<u>29</u>	<u>1</u>	<u>5,856</u>	<u>50</u>	<u>20,059</u>

Note a: The government grants represented the amount received from the local government by the PRC operating entities of the Target Group as the incentive for business development to enterprises established in the PRC.

Note b: During the period ended 31 August 2015, the Target Group received compensation from local government in regard of exchange of land use rights in Liaoning Province.

8. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Interest charge on bank and other borrowings repayable within five years	13,857	176	–	–	1
Less: interest expenses capitalised into properties under developments*	(13,130)	–	–	–	–
	<u>727</u>	<u>176</u>	<u>–</u>	<u>–</u>	<u>1</u>

* Borrowing costs have been capitalised at a rate of 9.8% to 11.5% per annum.

9. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging/(crediting) the following:

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Auditors' remuneration	-	6	-	-	-
Cost of inventories recognised as expenses	1,395	25,102	58,789	54,161	2,535
Depreciation of property, plant and equipment	1,255	1,335	1,409	705	1,091
Impairment loss on other receivables	-	3,300	-	-	-
Gross rental income from investment properties	-	-	(1,750)	(1,000)	(2,000)
Less: rental outgoing	-	-	185	84	84
	-	-	(1,565)	(916)	(1,916)
Staff costs (including directors' emoluments):					
- Salaries and wages	1,421	1,125	3,098	1,366	2,543
- Retirement scheme contribution	161	75	116	72	101
	<u>200</u>	<u>5,456</u>	<u>12,399</u>	<u>11,348</u>	<u>13,697</u>

10. INCOME TAX EXPENSE

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
Current tax					
PRC Enterprise Income Tax for the current year/period	200	639	231	177	1,410
Land Appreciation Tax ("LAT")	-	4,817	12,168	11,171	210
Deferred tax (note 26)					
Origination of temporary differences	-	-	-	-	12,077
	<u>200</u>	<u>5,456</u>	<u>12,399</u>	<u>11,348</u>	<u>13,697</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the Target Company's PRC subsidiaries is 25%.

Provision for the PRC Enterprise Income Tax ("EIT") for the Relevant Periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

Certain PRC subsidiaries are also subject to the PRC LAT which is levied at progressive rates ranging from 30% to 60% on the appreciation of properties, being the proceeds from sales of properties less deductible expenditure including costs of land use rights and development and construction.

No provision for Hong Kong Profits Tax has been made as the Target Group had no assessable profits arising in Hong Kong during the Relevant Periods.

The income tax expense for the year/period can be reconciled to the (loss)/profit before income tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Eight months ended 31 August	
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2014 RMB'000 (unaudited)	2015 RMB'000
(Loss)/profit before income tax	<u>(17,959)</u>	<u>22</u>	<u>38,335</u>	<u>38,494</u>	<u>64,299</u>
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	(4,490)	5	9,278	8,965	15,703
Tax effect of non-deductible/ (deductible) temporary differences not recognised	2,797	(1,213)	(9,201)	(10,042)	(789)
Tax effect of tax losses not recognised	1,893	1,588	–	1,121	350
LAT	–	4,817	12,168	11,171	210
Utilisation of tax losses previously not recognised	–	–	–	–	(2,542)
Others	–	259	154	133	765
Income tax expense	<u>200</u>	<u>5,456</u>	<u>12,399</u>	<u>11,348</u>	<u>13,697</u>

11. DIVIDENDS

No dividend has been paid or declared by the Target Company or any of its subsidiaries since its date of incorporation.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

The directors believe the presentation of such information is not meaningful for the purpose of this report.

(b) The five highest paid individuals

The directors believe the presentation of such information is not meaningful for the purpose of this report.

(c) Senior management's emoluments

The directors believe the presentation of such information is not meaningful for the purpose of this report.

13. INVESTMENT PROPERTIES

	Buildings and structures <i>RMB'000</i>
Level 3 fair value measurement	
At 1 January 2012	49,045
Addition	16,397
Change in fair value of investment properties	(8,337)
At 31 December 2012	57,105
Change in fair value of investment properties	2,600
At 31 December 2013	59,705
Addition	1,051
Change in fair value of investment properties	(2,451)
At 31 December 2014	58,305
Transfers from properties under development	130,385
Change in fair value of investment properties	51,310
At 31 August 2015	240,000

The Target Group's investment properties comprised commercial units held to earn rental income and/or for capital appreciation and are measured using the fair value model.

The carrying value of investment properties comprises:-

	As at 31 December		As at 31 August	
	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
- medium term land use rights in the PRC	57,105	59,705	58,305	63,000
- long term land use rights in the PRC	-	-	-	177,000
	<u>57,105</u>	<u>59,705</u>	<u>58,305</u>	<u>240,000</u>

The fair value of the Target Group's investment properties as at 31 December 2012, 2013 and 2014 and 31 August 2015 has been arrived at on the basis of a valuation carried out by RHL Appraisal Limited ("RHL" or "Valuer"). The Valuer are independent qualified professional valuer not connected to the Target Group.

RHL is member of the Institute of Valuers of Hong Kong. The Valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach.

There has been no change to the valuation technique during the years/periods. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of the Target Group's investment properties measured at 31 December 2012, 2013, 2014 and 31 August 2015 is categorised as level 3 of fair value hierarchy as defined in HKFRS 13.

Property	FV as at 31 August 2015 <i>RMB'000</i>	Valuation techniques	Significant unobservable inputs	Range or weighted average 2015	Range or weighted average 2014	Range or weighted average 2013	Range or weighted average 2012	Relationship of unobservable inputs to fair value
Completed properties in PRC	240,000	Direct Comparison	Transaction price (RMB/square meter)	RMB314-1,174	RMB505-1,006	RMB515-1,043	RMB487-1,002	The higher the transaction price, the higher the fair value

Fair value adjustment of investment properties is recognised in the line item "gain/(loss) arising on change in fair value of investment properties" on the face of the combined statement of profit or loss and other comprehensive income.

There were no transfers into or out of Level 3 during the years ended 31 December 2012, 2013 and 2014 and period ended 31 August 2015.

The Target Group's investment properties were pledged against the bank borrowings of the Target Group's and a related party of the Target Group's details of which are set out in note 25 and 30, respectively.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures <i>RMB'000</i>	Computer <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
COST					
At 1 January 2012					
Cost	8,310	180	6,550	367	15,407
Additions	–	120	600	395	1,115
At 31 December 2012	8,310	300	7,150	762	16,522
Additions	–	43	–	218	261
At 31 December 2013	8,310	343	7,150	980	16,783
Additions	–	222	–	38	260
At 31 December 2014	8,310	565	7,150	1,018	17,043
Additions	–	280	1,101	408	1,789
At 31 August 2015	<u>8,310</u>	<u>845</u>	<u>8,251</u>	<u>1,426</u>	<u>18,832</u>
ACCUMULATED DEPRECIATION					
At 1 January 2012					
Depreciation	1,578	116	922	144	2,760
	395	61	673	126	1,255
At 31 December 2012	1,973	177	1,595	270	4,015
Depreciation	395	65	696	179	1,335
At 31 December 2013	2,368	242	2,291	449	5,350
Depreciation	395	114	696	204	1,409
At 31 December 2014	2,763	356	2,987	653	6,759
Depreciation	263	86	614	128	1,091
At 31 August 2015	<u>3,026</u>	<u>442</u>	<u>3,601</u>	<u>781</u>	<u>7,850</u>
NET BOOK VALUE					
At 31 December 2012	<u>6,337</u>	<u>123</u>	<u>5,555</u>	<u>492</u>	<u>12,507</u>
At 31 December 2013	<u>5,942</u>	<u>101</u>	<u>4,859</u>	<u>531</u>	<u>11,433</u>
At 31 December 2014	<u>5,547</u>	<u>209</u>	<u>4,163</u>	<u>365</u>	<u>10,284</u>
At 31 August 2015	<u>5,284</u>	<u>403</u>	<u>4,650</u>	<u>645</u>	<u>10,982</u>

The above items of property, plant and equipment, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual values.

The Target Group's buildings are situated on the leasehold land in the PRC under medium term leases.

15. PROPERTIES UNDER DEVELOPMENTS AND PROPERTIES HELD OF SALE

	2012	As at 31 December		As at
	RMB'000	2013	2014	31 August
		RMB'000	RMB'000	2015
				RMB'000
Properties under developments located in PRC – medium term leases	475,732	694,144	735,928	314,222
Properties held for sale located in PRC – medium term leases	205	42,750	2,018	–
	<u>475,937</u>	<u>736,894</u>	<u>737,946</u>	<u>314,222</u>

16. INVENTORIES

	2012	As at 31 December		As at
	RMB'000	2013	2014	31 August
		RMB'000	RMB'000	2015
				RMB'000
Raw materials	–	–	5	400
	<u>–</u>	<u>–</u>	<u>5</u>	<u>400</u>

17. TRADE RECEIVABLES

	2012	As at 31 December		As at
	RMB'000	2013	2014	31 August
		RMB'000	RMB'000	2015
				RMB'000
Trade receivables	1,330	–	–	93
	<u>1,330</u>	<u>–</u>	<u>–</u>	<u>93</u>

The ageing analysis of trade receivables as at the end of each of the Relevant Periods based on invoice date is as follows:

	2012	As at 31 December		As at
	RMB'000	2013	2014	31 August
		RMB'000	RMB'000	2015
				RMB'000
0 – 90 days	1,330	–	–	93
91 – 180 days	–	–	–	–
	<u>1,330</u>	<u>–</u>	<u>–</u>	<u>93</u>

The Target Group has a policy of granting trade customers with credit terms of generally 90 days to 120 days. The ageing analysis of the Target Group's trade receivables that are neither individually nor collectively considered to be impaired, is as follows:

	2012 RMB'000	As at 31 December		As at 31 August 2015 RMB'000
		2013 RMB'000	2014 RMB'000	
Neither past due nor impaired	1,330	–	–	93
Past due for less than 3 months	–	–	–	–
	<u>1,330</u>	<u>–</u>	<u>–</u>	<u>93</u>

The Target Group recognised impairment loss based on the accounting policy stated in Note 2.11.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2012 RMB'000	As at 31 December		As at 31 August 2015 RMB'000
		2013 RMB'000	2014 RMB'000	
Prepayments	60,033	61,666	26,411	42,751
Other receivables (<i>note</i>)	11,075	7,328	794,211	20,842
	<u>71,108</u>	<u>68,994</u>	<u>820,622</u>	<u>63,593</u>

Note: The amount as at 31 December 2014 included payment to independent third parties by Baohua Dalian for acquisition of the controlling interests of potential companies amounted to RMB779,415,000. During the period ended 31 August 2015, Baohua Dalian had acquired the controlling interest of Dalian Zhen Fa and Dalian Tai Yuan which are not included in the Target Group with a consideration of RMB305,115,000. The remaining balances were repaid by the independent third parties before 31 August 2015.

19. AMOUNTS DUE FROM RELATED PARTIES

The amounts due from related parties were not trade related, and the balances were unsecured, interest-free and repayable on demand.

20. PLEDGED DEPOSITS

Pledged deposits represents deposits pledged to bank to secure bill payables granted to the Target Group. The pledged deposits as at 31 August 2015 carry interest rate ranging from 0.35% to 2.60%.

21. CASH AND CASH EQUIVALENTS

The Target Group's cash and cash equivalents comprise bank deposits carrying interest at floating rates based on daily bank deposit rates and short-term bank deposits carrying interests at prevailing market interest rate ranging from 0.35% to 2.60%, 0.35% to 2.60%, 0.35% to 2.35% and 0.35% to 1.60% per annum as at 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015 respectively, with an original maturity of three months or less.

22. TRADE PAYABLES

	2012 RMB'000	As at 31 December 2013 RMB'000	2014 RMB'000	As at 31 August 2015 RMB'000
Trade payables	26,867	255,747	156,142	72,339

The credit terms of trade payables vary according to the terms agreed with different suppliers, normally range from 30 days to 90 days. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Target Group's trade payables as at the end of each of the Relevant Periods is as follows:

	2012 RMB'000	As at 31 December 2013 RMB'000	2014 RMB'000	As at 31 August 2015 RMB'000
0 – 90 days	26,867	–	19,248	1,030
91 – 180 days	–	95	1,022	71,309
181 – 365 days	–	234,163	–	–
Over 365 days	–	21,489	135,872	–
	<u>26,867</u>	<u>255,747</u>	<u>156,142</u>	<u>72,339</u>

The trade payables are short-term and hence the carrying values of the Target Group's trade payables are considered to be a reasonable approximation of fair value.

23. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	2012 RMB'000	As at 31 December 2013 RMB'000	2014 RMB'000	As at 31 August 2015 RMB'000
Receipts in advance	12,200	6,360	7,370	6,253
Accrued wages and staff benefits	217	45	114	386
Bill payables (<i>Note</i>)	–	–	–	100,000
Other tax payables	15,822	11,496	15,952	9,425
Other payables	354,065	325,209	280,279	67,698
	<u>382,304</u>	<u>343,110</u>	<u>303,715</u>	<u>183,762</u>

Note: As at 31 August 2015, the balance represented a bill payables issued by a bank in PRC to the Target Group which were secured by a pledge deposit of RMB50,000,000 (note 20), interest-free and repayable within one year. The amount of bill payables received was then transferred to a related party and included in the line item of "amount due from related parties". The bill payable was subsequently settled on 25 December 2015.

24. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties were not trade related, and the balances were unsecured, interest-free and repayable on demand.

25. BANK BORROWINGS

	2012 RMB'000	As at 31 December 2013 RMB'000	2014 RMB'000	As at 31 August 2015 RMB'000
Secured bank borrowings: Repayable within one year	<u>120,000</u>	<u>1,000</u>	<u>-</u>	<u>-</u>

- (i) The bank borrowings bear interest ranging from 8.84% to 11.5% per annum.
- (ii) All of the Target Group's banking borrowings are subject to the fulfilment of covenants relating to certain of the Target Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Target Group were to breach the covenants the drawn down facilities would become payable on demand. The Target Group regularly monitors its compliance with these covenants. Further details of the Target Group's management of liquidity risk are set out in note 34(c). As at 31 December 2012 and 2013 none of the covenants relating to drawn down facilities had been breached.
- (iii) The bank borrowings as at 31 December 2012 and 2013 were secured by the following:
- Personal guarantee from directors;
 - Investment properties held by Target Group; and
 - Properties under developments properties amounted to RMB178,692,000.

26. DEFERRED TAX LIABILITIES

Deferred tax liabilities	Revaluation of properties RMB'000
At 1 January 2012, 31 December 2012, 31 December 2013, 31 December 2014	-
Charge for the period	<u>12,077</u>
At 31 August 2015	<u><u>12,077</u></u>

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015, the Target Group had unused tax losses of approximately RMB16,391,000, RMB18,969,000, RMB18,969,000 and RMB11,274,000 respectively, available to offset against future profits. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

The unrecognised tax losses will expire in the following years:

	2012	As at 31 December		As at
	2013	2014	2015	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2016	6,770	6,770	6,770	6,770
2017	9,621	9,621	9,621	1,588
2018	–	2,578	2,578	443
2019	–	–	–	–
2020	–	–	–	2,473
	<u>16,391</u>	<u>18,969</u>	<u>18,969</u>	<u>11,274</u>

As at 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015 the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB30,000,000, RMB30,000,000, RMB70,094,000 and RMB112,363,000, respectively. No liability has been recognised in respect of these differences because the Target Group is in a position to control the timing of the reversal of temporary differences and it probable that such differences will not reverse in the foreseeable future.

27. SHARE CAPITAL

Share capital in the combined statements of financial position as at 1 January 2012, 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015 represents the issued and fully paid up capital of the Target Company.

28. OPERATING LEASE COMMITMENT

The Target Group as lessor

During the years ended 31 December 2012, 2013, 2014 and periods ended 31 August 2014 and 2015, property rental income earned was RMBNil, RMBNil, RMB1,750,000, RMB1,000,000 and RMB2,000,000, respectively. The properties are expected to generate rental yields of 1.3% on an ongoing basis and have committed tenants for the next 96 months.

At the end of the reporting period, the Target Group had contracted with tenants for the following future minimum lease payments:

	2012	As at 31 December		As at
	2013	2014	2015	31 August
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Rented premises:				
– Within one year	–	1,500	3,190	3,197
– In the second to fifth year, inclusive	–	6,000	14,033	13,601
– After five years	–	7,250	15,568	13,191
	<u>–</u>	<u>14,750</u>	<u>32,791</u>	<u>29,989</u>

29. CAPITAL COMMITMENTS

	2012	As at 31 December		As at
	2013	2014	2015	31 August
	RMB'000	RMB'000	RMB'000	2015
				RMB'000
Capital expenditure contracted for but not provided in the Financial Information in respect of:				
– Construction of properties under developments	283,588	312,774	277,938	52,374

30. MATERIAL RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the Financial Information, the Target Group entered into the following related party transactions with fellow subsidiaries during Relevant Periods.

	2012	As at 31 December		As at	As at
	2013	2014	31 August	31 August	2015
	RMB'000	RMB'000	RMB'000	2014	RMB'000
				RMB'000	RMB'000
				(unaudited)	
Sales to related key management personnel	–	–	7,346	–	–

Notes:

- In the opinion of the directors of the Target Company, these transactions were carried out on normal commercial terms and in the ordinary course of business.
- During the Relevant Periods, the Target Company had leased certain commercial unites held by the Target Company to two related parties, namely Liaoning Mengdong Xintiandi Commercial Department Store Chain Co., Ltd* (遼寧萌動新天地商業百貨連鎖有限公司) and Liaoning Dream World Catering Management Co., Ltd Yingkou Branch* (遼寧夢世界餐飲管理有限公司營口分公司) (* for identification purpose only). The Target Company has waived the right to recover the operating lease charges which had an approximate market value of RMB Nil, RMB Nil, RMB346,667, RMB Nil and RMB1,386,667 during the years ended 31 December 2012, 2013 and 2014 and periods ended 31 August 2014 and 2015, respectively.

31. CONTINGENT LIABILITIES

As at 31 December 2014 and 31 August 2015, the Target Group has jointly guaranteed with related parties and pledged investment properties with carrying value of approximately RMB7,972,000 to secure a bank borrowing drawn by Liaoning Fu Bong Logistics Co., Ltd., a related party with common director. The maximum liability under the guarantees at 31 December 2014 and 31 August 2015 were RMB500,000,000. The guarantees and the pledge given by the Target Group as at 31 August 2015 as set out above will be released upon completion of the Proposed Acquisition

As at 31 December 2014 and 31 August 2015, the Target Group has jointly guaranteed with related parties to secure a bank borrowing drawn by Dalian Wei Tian Investment Development Co., Ltd.* (大連煒天投資發展有限公司), a related party with common director. The maximum liability under the guarantees at 31 December 2014 and 31 August 2015 were RMB216,000,000. The guarantees given by the Target Group as at 31 August 2015 as set out above will be released upon completion of the Proposed Acquisition

The Directors do not consider it is probable that a claim will be made against the Target Group under any of the guarantees.

32. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Target Group manages its capital to ensure that the entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Target Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Target Company, comprising issued share capital, reserves and retained profits, respectively.

The directors of the Target Company reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Target Group will balance its overall capital structure through the payment of dividends, new capital injection as well as the issue of new debts or redemption of existing debt, if necessary.

Consistent with others in the industry, the Target Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total bank and other borrowings less bank balances, deposits and cash. Total capital is calculated as "equity", as shown in the combined statement of financial position, plus net debt. The gearing ratio at 31 December 2012, 31 December 2013, 31 December 2014 and 31 August 2015 were 305%, 2%, 0% and 0% respectively.

33. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2012	As at 31 December		As at
	RMB'000	2013	2014	31 August
		RMB'000	RMB'000	2015
				RMB'000
Financial assets				
Loans and receivables				
Cash and cash equivalents	52	156	149	9,957
Pledged deposits	–	–	–	50,000
Trade receivables	1,330	–	–	93
Other receivables	11,075	7,328	794,211	20,842
Amounts due from related parties	1,207	136,672	13,013	333,125
Financial liabilities				
Amortised costs				
Trade payables	26,867	255,747	156,142	72,339
Other payables	354,065	325,209	280,279	67,698
Amounts due to related parties	50,595	375,356	1,105,183	628,869
Bank borrowings	120,000	1,000	–	–

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's major financial instruments include trade receivables, other receivables, amounts due from related parties, cash and cash equivalents, trade payables, other payables, amounts due to related parties and bank borrowings.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) **Interest rate risk**

The Target Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank deposits. The Target Group is also exposed to fair value interest rate risk which relates primarily to the bank borrowings. The Target Group does not have an interest rate hedging policy. However, the director of the Target Company monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Target Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rates quoted by the People's Bank of China arising from the Target Group's bank borrowings.

The directors of the Target Company do not expect significant change to the interest rate, and therefore, the sensitivity analysis on the interest rate change in relation to the bank balances has not presented accordingly.

(b) **Credit risk**

At the end of reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action are taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Company consider that the credit risk of the Target Group is significantly reduced.

The credit risk with respect to amounts due from related parties, the directors of the Company considered the credit risk is limited because the related parties were all of strong financial position.

The directors of the Target Company consider that the credit risk on liquid funds is low as counterparties are banks with good reputation.

(c) **Liquidity risk**

In the management of liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows. Management also monitors the utilisation of banking facilities and ensures compliance with loan covenants.

The following tables detail the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	Carrying amount <i>RMB'000</i>	Total contractual undiscounted cash flows <i>RMB'000</i>	Within 1 year or on demand <i>RMB'000</i>
As at 31 December 2012			
Trade payables	26,867	26,867	26,867
Accruals, deposits received and other payables	382,304	382,304	382,304
Amounts due to related parties	50,595	50,595	50,595
Banks borrowings	120,000	120,000	120,000
	<u>579,766</u>	<u>579,766</u>	<u>579,766</u>
As at 31 December 2013			
Trade payables	255,747	255,747	255,747
Accruals, deposits received and other payables	343,110	343,110	343,110
Amounts due to related parties	375,356	375,356	375,356
Banks borrowings	1,000	1,000	1,000
	<u>975,213</u>	<u>975,213</u>	<u>975,213</u>
As at 31 December 2014			
Trade payables	156,142	156,142	156,142
Accruals, deposits received and other payables	303,715	303,715	303,715
Amounts due to related parties	1,105,183	1,105,183	1,105,183
	<u>1,565,040</u>	<u>1,565,040</u>	<u>1,565,040</u>
As at 31 August 2015			
Trade payables	72,339	72,339	72,339
Accruals, deposits received and other payables	183,762	183,762	183,762
Amounts due to related parties	628,869	628,869	628,869
	<u>884,970</u>	<u>884,970</u>	<u>884,970</u>

(d) **Fair value**

Fair value measurements are categorised into Level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate their respective fair values at the end of reporting periods.

35. EVENTS AFTER THE END OF RELEVANT PERIOD

Save as disclosed in note 1(b) and disclosed elsewhere in the Financial Information, there were no material events affecting the Target Company and its subsidiaries comprising the Target Group in respect of any period subsequent to 31 August 2015.

Yours faithfully,

BDO Limited

Certified Public Accountants

Any Yau Shuk Yuen

Practising Certificate No. P6095

Hong Kong, 1 February 2016

MANAGEMENT DISCUSSION AND ANALYSIS ON TARGET GROUP

Set out below is the management discussion and analysis on Target Group, which is based on the financial information of the Target Group as set out in Appendix II to this circular.

Business overview

The Target Group comprises the Target Company and its subsidiaries, namely Baohua Dalian, Baohua Yingkou and Royal Lakes Garden, but excluding Carve-Out Companies.

The Target Company is a limited liabilities company incorporated in the PRC and is principally engaged, inter alia, in properties development business.

Baohua Dalian is a limited liabilities company incorporated in the PRC and is principally engaged in investment holdings.

Baohua Yingkou is a limited liabilities company incorporated in the PRC and is principally engaged in properties development, renovation and trading of construction material.

Royal Lakes Garden is a limited liabilities company incorporated in the PRC and is principally engaged in the provision of food service, commercial service and accommodation.

Financial review*(i) Comparison for the eight months ended 31 August 2015 to the eight months ended 31 August 2014*

The decrease in revenue from the eight months ended 31 August 2014 to the eight months ended 31 August 2015 was mainly due to decrease in sales of properties. The sale of one of the properties projects of Baohua Yingkou, which represented most of the sale revenue of the Target Group in the year 2014, was completed in early 2015. Therefore, there is a significant decrease in revenue for the Target Group for the eight months ended 2015 in comparing to the same period in 2014.

Other income for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMB50,000 and RMB20.1 million respectively. Other income for the eight months ended 31 August 2015 was mainly compensation provided by the local government in regards of exchange of land use right.

Selling and distribution expenses of the Target Group for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMB275,000 and RMB309,000 respectively. Selling and distribution expenses were mainly represented by advertising of properties.

Administrative expenses of the Target Group for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMB4.9 million and RMB7.9 million respectively. The increase in administrative expenses was mainly due to increase in staff cost.

Finance costs of the Target Group for the eight months ended 31 August 2014 and for the eight months ended 31 August 2015 were approximately RMB nil and RMB1,000 respectively.

The amounts due from related parties as at 31 December 2014 and 31 August 2015 are approximately RMB13.0 million and RMB333.1 million respectively. The significant increase was mainly due to the large amount of fund, which received by the Target Group from the sale of property projects of Baohau Yingkou, being transferred to the related parties, namely the then holding company and subsidiaries of the Target Company. Substantial part of the said RMB333.1 million due from related parties as at 31 August 2015 will be net-off pursuant to the assignment agreement entered into by Baohua Yingkou and the said related parties.

Pursuant to the Sale and Purchase Agreement, the Purchaser only acquired the Target Company with asset, save and except the deposits received by the Target Group in relation to the properties rental and purchase, all other liabilities of the Target Group shall be borne by the Vendor, which is one of the conditions of the Acquisition. The Group will not bear the liabilities in relation to the amounts due to the related parties and the bill payables after Completion. Accordingly, no connected transaction for those amounts due to the related parties will be occurred after Completion.

(ii) Comparison for the year ended 31 December 2014 to the year ended 31 December 2013

The increase in revenue from the year ended 31 December 2013 to the year ended 31 December 2014 was mainly due to the completion and commencement of sales of certain properties in 2014.

Other income for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB1,000 and RMB5.9 million respectively. Other income for the year ended 31 December 2014 was mainly government grants received from the local government as the incentive for business development to enterprises established in the PRC.

Selling and distribution expenses of the Target Group for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB33,000 and RMB333,000 respectively. The increase in selling and distribution expenses was mainly attributable to increase in advertising of properties.

Administrative expenses of the Target Group for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB7.1 million and RMB9.7 million respectively. The increase in administrative expenses was mainly due to increase in staff cost.

Finance costs of the Target Group for the year ended 31 December 2013 and for the year ended 31 December 2014 were approximately RMB176,000 and RMB nil respectively. The decrease in finance costs was mainly due to decrease in bank borrowings.

(iii) Comparison for the year ended 31 December 2013 to the year ended 31 December 2012

The increase in revenue from the year ended 31 December 2012 to the year ended 31 December 2013 was mainly due to the completion and commencement of sales of certain properties in 2013.

Other income for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB29,000 and RMB1,000 respectively. Other income for the year ended 31 December 2012 consisted of larger interest income from bank deposits.

Selling and distribution expenses of the Target Group for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB382,000 and RMB33,000 respectively. The decrease in selling and distribution expenses was mainly attributable to higher advertising of properties in 2012.

Administrative expenses of the Target Group for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB6.1 million and RMB7.1 million respectively. The increase in administrative expenses was mainly due to increase in land use tax.

Finance costs of the Target Group for the year ended 31 December 2012 and for the year ended 31 December 2013 were approximately RMB727,000 and RMB176,000 respectively. The decrease in finance costs was mainly due to decrease in bank borrowings.

Liquidity and financial resources

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Target Group had net current liabilities of approximately RMB30.3 million, RMB37.3 million, RMB8.8 million, and RMB128.5 million respectively. The current ratio (being current assets over current liabilities) as at 31 December 2012, 2013, 2014 and 31 August 2015 were approximately 0.95 times, 0.96 times, 0.99 times, and 0.86 times respectively.

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Target Group had net assets of approximately RMB39.3 million, RMB33.8 million, RMB59.8 million, and RMB110.4 million respectively.

As at 31 December 2012, 2013, 2014 and 31 August 2015, the bank balance of the Target Group amounted to approximately RMB52,000, RMB156,000, RMB149,000, and RMB10.0 million respectively which were mainly denominated in RMB. As at 31 December 2012, 2013, 2014 and 31 August 2015, the outstanding bank borrowings of the company amounted to approximately RMB120.0 million, RMB1.0 million, RMB nil and RMB nil respectively.

Subsequent to completion of the Acquisition, the Target Group will become a member of the Enlarged Group which the Directors consider such status would give the Target Group better access to capital markets. The Company is also considering fund raising activities, after which the Target Group will have access to those funds.

Capital structure

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Target Group's interest bearing bank borrowings was approximately RMB120.0 million, RMB1.0 million, RMB nil and RMB nil respectively. The bank borrowings of the Target Group as at 31 December 2012 and 2013 were secured by personal guarantee from directors and properties under developments amounted to RMB178,692,000. All bank borrowings were denominated in RMB.

Gearing ratio

The Gearing ratio of the Target Group, which is equal to the total of bank borrowings to total equity as at 31 December 2012, 2013, 2014 and 31 August 2015 was approximately 305%, 3%, 0% and 0% respectively.

Foreign currency risks

The businesses conducted of the Target Group during the period from the year ended 31 December 2012 to the eight months ended 31 August 2015 were denominated in RMB. As at 31 December 2012, 2013, 2014 and 31 August 2015, all of the bank borrowings of and all of the cash and bank balances of the Target Group were made in RMB. Therefore, the exposure in currency risks of the Target Group was considered by the management to be minimal and it had not used any financial instrument for hedging purposes during the said period.

Capital commitment

As at 31 December 2012, 2013, 2014 and 31 August 2015, capital commitment in respect of construction of properties under development was approximately RMB283.6 million, RMB312.8 million, RMB277.9 million and RMB52.4 million respectively.

Pledge of assets

The bank borrowings of the Target Group as at 31 December 2012 and 2013 were secured by personal guarantee from directors and properties under developments amounted to RMB178,692,000.

Contingent liabilities

As at 31 December 2012, 2013, 2014 and 31 August 2015, the Target Group did not have any significant contingent liabilities.

Employees and remuneration policy

Remuneration for employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the employees concerned. Employees' salaries and wages for the years ended 31 December 2012, 2013, 2014 and the eight months ended 31 August 2015 were approximately RMB1.4 million, RMB1.1 million, RMB3.1 million and RMB2.5 million respectively. Remuneration packages comprised salaries and defined contribution pension fund. Apart from pension, discretionary bonus will also be granted to certain employees as awards in accordance with individual performance. The Target Group has no share option scheme.

Future plans*Investment properties*

The Target Group intends to continue renting out investment properties including Jinfeng Guesthouse, Medical Building, and the three ancillary buildings located at Jincan Garden in order to generate rental income. The operation of Royal Lakes Garden Health Care Center will also earn service income.

Properties under development and properties held for sale

The Target Group targets to sell all remaining villas and apartments of Royal Lakes Garden Residence to generate revenue, and renovation work is being performed on certain unsold units in order to achieve higher selling prices.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of assets and liabilities has been prepared by the Directors in accordance with paragraph 29 of Chapter 4 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Acquisition on the statement of assets and liabilities of the Group as at 30 September 2015.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared, based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2015 extracted from the published interim report of the Group for the six months ended 30 September 2015 which have been published on the website of the Stock Exchange and the website of the Company, and the audited combined statement of financial position of the Target Group as at 31 August 2015 as extracted from the financial information of the Target Group set out in Appendix II to this circular as if the Acquisition had been completed on 30 September 2015.

The unaudited pro forma statement of assets and liabilities is based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. A narrative description of the pro forma adjustments of the completion of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the accompanying notes.

The accompanying unaudited pro forma statement of assets and liabilities has been prepared by the Directors for illustrative purpose only and is based on certain assumptions, estimates, uncertainties and other currently available information. Accordingly, and because of its nature, the unaudited pro forma statement of assets and liabilities may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition. Further, the unaudited pro forma statement of assets and liabilities of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	The Group as at 30 September 2015 (Unaudited) HK\$'000 Note 1	Target Group as at 31 August 2015 (Audited) HK\$'000 Note 2	Pro forma adjustments				Pro Forma Enlarged Group HK\$'000
			HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	
ASSETS AND LIABILITIES							
Non-current assets							
Property, plant and equipment	369,583	13,398					382,981
Prepaid lease payments	145,533	–					145,533
Investment properties	622,133	292,800					914,933
Goodwill	84,677	–					84,677
Interest in an associate	85,603	–					85,603
Loan receivables	349,868	–					349,868
Finance lease receivables	666,528	–					666,528
Deferred tax assets	2,220	–					2,220
Deposit paid for the acquisition of machineries	3,875	–					3,875
Club membership	2,092	–					2,092
	<u>2,332,112</u>	<u>306,198</u>					<u>2,638,310</u>
Current assets							
Properties under developments and properties held for sale	2,581,005	383,351		347,939 ⁽ⁱ⁾⁽ⁱⁱ⁾		922	3,313,217
Inventories	268,758	488					269,246
Finance lease receivables	69,132	–					69,132
Trade and other receivables	976,889	77,697		(23,124) ⁽ⁱ⁾			1,031,462
Amounts due from related parties	–	406,413	(329,345)				77,068
Loan receivables	87,200	–					87,200
Tax recoverable	336	–					336
Other financial assets	276,967	–					276,967
Pledged bank deposits	994,922	61,000					1,055,922
Bank balances and cash	84,884	12,148		(315,000) ⁽ⁱⁱⁱ⁾	315,000	(1,206)	95,826
	<u>5,340,093</u>	<u>941,097</u>					<u>6,276,376</u>
Current liabilities							
Trade and other payables	797,460	312,443		(311,223) ⁽ⁱ⁾			798,680
Amounts due to related parties	–	767,220	(329,345)	(437,875) ⁽ⁱ⁾			–
Tax payables	13,726	18,228		(18,228) ⁽ⁱ⁾			13,726
Borrowings	3,195,903	–					3,195,903
	<u>4,007,089</u>	<u>1,097,891</u>					<u>4,008,309</u>
Net current (liabilities)/assets	<u>1,333,004</u>	<u>(156,794)</u>					<u>2,268,067</u>
Total assets less current liabilities	<u><u>3,665,116</u></u>	<u><u>149,404</u></u>					<u><u>4,906,377</u></u>

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	Pro forma adjustments						Pro Forma Enlarged Group
	The Group as at 30 September 2015 (Unaudited) HK\$'000 Note 1	Target Group as at 31 August 2015 (Audited) HK\$'000 Note 2	HK\$'000 Note 3	HK\$'000 Note 4	HK\$'000 Note 5	HK\$'000 Note 6	
Non-current liabilities							
Long term deposits received	51,906	-					51,906
Deferred tax liabilities	292,652	14,734					307,386
Borrowings	2,020,027	-			315,000		2,335,027
	<u>2,364,585</u>	<u>14,734</u>					<u>2,694,319</u>
Net assets	<u>1,300,531</u>	<u>134,670</u>					<u>2,212,058</u>
Equity							
Share capital	39,126	24,400		(20,400) ⁽ⁱⁱⁱ⁾			43,126
Reserves	1,208,183	110,270		797,541 ⁽ⁱⁱⁱ⁾		(284)	2,115,710
Equity attributable to shareholders of the Company	1,247,309	134,670				(284)	2,158,836
Non-controlling interest	53,222	-					53,222
	<u>1,300,531</u>	<u>134,670</u>					<u>2,212,058</u>

Notes:

- Figures are extracted from the unaudited condensed consolidated financial statements of the Group as set out in the interim report of the Company for the six months ended 30 September 2015.
- Figures are extracted from the Target Group's combined statement of financial position as at 31 August 2015 included in the accountants' report of the Target Group as set out in Appendix II to the Circular and converted to the presentation currency of the Group of HK\$. The conversion of RMB into HK\$ for the combined statement of financial position of the Target Group is based on the exchange rate of RMB1 translated to Hong Kong dollar ("HK\$") 1.22 stated in Definitions. No representation is made that RMB amounts have been, could have been or could be converted into HK\$, or vice versa, at that rate or at any other rates or at all.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

3. The adjustment represented the net-off of related parties balances pursuant to the assignment agreements signed between the Target Company, 遼寧華君股權投資基金管理有限公司 (Liaoning Huajun Share Investment Fund Management Co., Ltd.*) and 遼寧富邦物流有限公司 (Liaoning Fu Bang Logistics Co., Ltd.*) dated on 27 January 2016 (“**Assignment agreement A**”) and Baohua Yingkou, 華君控股集團有限公司 (Huajun Holdings Group Co., Ltd.*) and 遼寧富邦物流有限公司 dated on 27 January 2016 (“**Assignment agreement B**”). Pursuant to the Assignment agreement A, the Target Company and 遼寧華君股權投資基金管理有限公司 (Liaoning Huajun Share Investment Fund Management Co., Ltd.*) had agreed to assign the right to receive cash of RMB100,000,000 (equivalent to HK\$122,000,000) to 遼寧富邦物流有限公司 (Liaoning Fu Bang Logistics Co., Ltd.*). Pursuant to the Assignment agreement B, the Baohua Yingkou and 華君控股集團有限公司 (Huajun Holdings Group Co., Ltd.*) had agreed to assign the right to receive cash of RMB169,954,000 (equivalent to HK\$ 207,345,000) to 遼寧富邦物流有限公司 (Liaoning Fu Bang Logistics Co., Ltd.*).
4. Pursuant to the Sale and Purchase Agreement dated 7 October 2015 (“**SPA**”), the Target Company will undergo a corporate restructuring prior to the completion of the Acquisition, certain properties under development operated by subsidiary of the Target Group will not be transferred to the Enlarged Group, and the liabilities associated with the Target Group will be borne by the Vendor except for the deposit received. As such, respective asset and liabilities of the Target Group, except for the properties and assets specified in the SPA, are assumed not to be transferred to the Enlarged Group.
- 4(i) The adjustment represents the assets and liabilities of the Target Group not transferred pursuant to the SPA and the assumption of capital contribution by Vendor. Details of assets and liabilities not transferred:

	<i>HK\$'000</i>
Trade and other receivables	23,124
Properties under developments and properties held for sale	78,581
Trade and other payables	(311,223)
Amounts due to related parties	(437,875)
Tax payables	(18,228)
	(665,621)

Upon Completion of the Acquisition, the cost of acquired assets is allocated to the individual assets on a relative fair value basis as required by the acquisition method in accordance with HKFRS 3 (Revised) “Business Combinations”.

Pursuant to the SPA, the Consideration is RMB750,000,000 (equivalent to HK\$915,000,000), HK\$315 million of which will be paid in cash and the remaining HK\$600 million will be settled by the allotment and issuance of 400,000,000 shares. The completion of the Acquisition is subject to the conditions as set out in the section of “Letter from the Board” to this circular (the “**Conditions**”). For the purpose of preparation of the unaudited Pro Forma Financial Information, it is assumed that the Group would obtain control over the Target Company pursuant to the SPA.

* For identification purpose only

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

- 4(ii) The adjustment represents (i) the paid out cash consideration and issuance of consideration shares; (ii) the transfer of the properties specified in SPA and the elimination of assets and liabilities not transferred; (iii) adjustments to the properties specified in the SPA to state them at fair value under HKFRS 2; and (iv) the elimination of the pre-acquisition reserves and investment cost of the Target Group. Details of considerations and assets and liabilities to be transferred to the Group are as follows:

	<i>HK\$'000</i>
<i>Considerations</i>	
– Cash	315,000
– Issuance of consideration shares at par value 4(iii)	4,000
– Share premium related to issuance of share 4(iii)	907,811
	1,226,811
<i>Asset and liabilities to be transferred to the Group</i>	
Net assets of the Target Group as at 31 August 2015	134,670
– (less)/add assets/liabilities not being transferred to the Group (see note 4(i))	
Trade and other receivable	(23,124)
Properties under developments and properties held for sale	(78,581)
Trade and other payables	311,223
Amounts due to related parties	437,875
Tax payables	18,228
	665,621
– Add fair value adjustment	
Fair value adjustment of Properties Under Developments	426,520
	1,226,811

- 4(iii) The value of the Consideration Shares issued for the Acquisition is determined by the fair value of identifiable assets and liabilities of the Target Group on the date of the Completion. For the purpose of the preparation of the unaudited pro forma, the fair value of identifiable assets and liabilities as at 31 August 2015 has been used for the computation of the value of Consideration Shares. Based on the above assumption, the value of the 400,000,000 Consideration Shares issue by the Company in connection with the Acquisition is HK\$911,811,000, the share capital and reserves of the Company will then increased by approximately HK\$4,000,000 and approximately HK\$907,811,000 respectively.

The adjustment represents (i) the eliminate of pre-acquisition reserves and share capital and (ii) the value of Consideration Shares issued for the Acquisition.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

	<i>HK\$'000</i>
Elimination of Target Group's share capital	(24,400)
Insurance of Consideration Shares at par value (<i>note 4(ii)</i>)	4,000
	<u>(20,400)</u>
Elimination of Target Group's reserves	(110,270)
Share premium related to issuance of Consideration Shares (<i>note 4(ii)</i>)	907,811
	<u>797,541</u>

Upon completion of the Acquisition, the fair value of the identifiable assets and liabilities of the Target Group will have to be reassessed. The identifiable assets and liabilities of the Target Group at the date of completion of the Acquisition may be substantially different from the fair value of the identifiable assets and liabilities used in the preparation of this unaudited pro forma consolidated statement of assets and liabilities. Therefore, the amount of consideration will depend on the final amount of the fair value of the identifiable assets and liabilities on the date of the Completion.

5. The adjustment represented the loan draw by the Company from the immediate holding company of the Company under the credit facilities agreement signed between Huajun International Limited and the Company dated on 28 September 2015. The loan is unsecured, interest-free and due over one year.
6. The adjustment represents estimated acquisition-related costs of approximately HK\$1,206,000 which would be capitalised upon the Completion. This adjustment will not have continuing effect on the Enlarged Group.

	<i>HK\$'000</i>
<i>Costs capitalised to:</i>	
– Properties under developments	922
– Investment properties	284
	<u>1,206</u>
Fair value adjustments of investment properties	(284)

7. The unaudited pro forma financial information of the Enlarged Group presented above does not take account of any trading result or other transactions of the Target Group entered into subsequent to 31 August 2015.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountant, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group as set out in Appendix IV.



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The Board of Directors
Huajun Holdings Limited

Dear Sirs

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Huajun Holding Company Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”), and Liaoning Bao Hua Properties Development Co., Ltd.* (遼寧保華房地產開發有限公司) and its subsidiaries (“**Target Group**”) (collectively the “**Enlarged Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 September 2015 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages 113 to 118 of the circular dated 1 February 2016 (the “**Circular**”) issued by the Company, in connection with the proposed acquisition of 100% equity interest in the Target Group (the “**Acquisition**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages 113 to 118 of the Appendix IV to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group’s financial position as at 30 September 2015 as if the Acquisition had been completed on 30 September 2015. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s interim report, which was published on 30 November 2015. The information about the Target Group’s financial position as at 31 August 2015 has been extracted by the Directors from Appendix II of this Circular.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

* for identification purpose only

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountant’s responsibilities for the Unaudited Pro Forma Financial Information

Our responsibility is to express an opinion, as required by paragraph 29 of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong, 1 February 2016

The following is the text of a letter and valuation certificates, prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 31 December 2015 of the Properties to be acquired by Huajun Holdings Limited.



永利行評值顧問有限公司
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Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

1 February 2016

The Board of Directors
Huajun Holdings Limited

36th Floor,
Citibank Tower,
Citibank Plaza,
3 Garden Road Central,
Hong Kong
Dear Sirs/Madam,

INSTRUCTIONS

We refer to your instruction for us to value the property interests (“**the Properties**”) to be acquired by Huajun Holdings Limited (the “**Company**”) or its subsidiaries (together referred as the “**Group**”) located in the People’s Republic of China (the “**PRC**”). We confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the such property interests as at 31 December 2015 (the “**Valuation Date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

BASIS OF VALUATION

The valuation is our opinion of the market value (“**Market Value**”) which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

We have valued the property interests by using the Direct Comparison Approach, which is based on the principle of substitution, where comparison is made based on prices realized on actual sales and/or asking prices of comparable properties. Comparable properties of similar size, scale, nature, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. And where appropriate, on the basis of capitalization of the net income shown on the documents handed to us. We have allowed for outgoings and, in appropriate case, made provisions for reversionary income potential.

VALUATION CONSIDERATIONS

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards 2012 Edition.

VALUATION ASSUMPTION

In our valuation, unless otherwise stated, we have assumed that:

- a. all necessary statutory approvals for the Properties or the subject building of which the Properties forms part of their use have been obtained;
- b. transferable land use rights in respect of the Properties for specific terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid;
- c. the owners of the Properties have enforceable titles to the Properties and have free and uninterrupted rights to use, occupy or assign the Properties for the whole of the respective unexpired terms as granted;
- d. no deleterious or hazardous materials or techniques have been used in the construction of the Properties;
- e. the Properties are not subject to any unusual or especially onerous restrictions, encumbrances or outgoings and that good title can be shown; and
- f. the Properties are connected to main services and sewers which are available on normal terms.

TITLE INVESTIGATION

We have been shown copies of various documents relating to the property interest. However, we have not examined the original documents to verify the existing titles to the property interest or any amendment which does not appear on the copies handed to us. We have relied considerably on the information given by the Group's PRC legal advisers, Liaoning Zhe Ming Law Firm, (遼寧哲明律師事務所), concerning the validity of the titles to the property interests.

LIMITING CONDITIONS

We have conducted on-site inspections to the Properties in September 2015 by our staff Ms. Selina Wu (MSc in Real Estate) and Mr. Kevin Mok. (BSc in Civil Engineering). During the course of our inspections, we did not note any serious defects. However, no structural survey has been made and we are therefore unable to report whether the properties are free from rot infestation or any other defects. No tests were carried out on any of the services. Moreover, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc., for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and no extraordinary expenses or delay will be incurred during the development period.

We have not carried out detailed on-site measurement to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the documents handed to us are correct. All dimensions, measurements and areas are approximate.

We have relied to a considerable extent on information provided by the Group and accepted advices given to us on such matters, in particular, but not limited to tenure, planning approvals, statutory notices, easements, particulars of occupancy, size and floor areas and all other relevant matters in the identification of the Properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material fact has been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

No allowance has been made in our report for any charges, mortgages or amounts owing on the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale.

The reported market value only applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

REMARKS

We have valued the property in Renminbi (RMB).

We enclose herewith the summary of values and the valuation certificates.

Yours faithfully,
For and on behalf of
RHL Appraisal Ltd.

Serena S. W. Lau
FHKIS, AAPI, MRICS, RPS (GP), MBA (HKU)
Managing Director

Jessie X. Chen
MRICS, MSc (Real Estate), BEcon
Associate Director

Ms. Serena S. W. Lau is a Registered Professional Surveyor (GP) with over 19 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Lau is a Professional Member of The Royal Institution of Chartered Surveyors, an Associate of Australian Property Institute, a Fellow of The Hong Kong Institute of Surveyors as well as a registered real estate appraiser in the PRC.

Ms. Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 5 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Ms. Chen is a Professional Member of The Royal Institution of Chartered Surveyors.

SUMMARY OF VALUES

	Market Value as at 31 December 2015 <i>RMB</i>	Interest attribute to the Group	Market Value attributable to the Group as at 31 December 2015 <i>RMB</i>
Group I – Property interests held by the Group for investment purpose in the PRC			
1. Royal Lakes Garden Health Care Center, Wang'ershan Avenue, Bayuquan District, Yingkou City, Liaoning Province, the PRC (中華人民共和國遼寧省營口市鮫魚圈區望 兒山大街禦水碧園健康養生中心)	177,000,000	100%	177,000,000
2. Three ancillary buildings located at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC (位於中華人民共和國遼寧省營口市熊岳鎮 金燦花園的三棟附屬建築)	7,000,000	100%	7,000,000
3. Jinfeng Guesthouse, Sanjiazi Community, Bayuquan District, Yingkou City, Liaoning Province, the PRC (中華人民共和國遼寧省營口市鮫魚圈區三 家子社區金峰賓館)	23,000,000	100%	23,000,000
4. Medical Building, The middle of Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province, The PRC (中華人民共和國遼寧省營口市鮫魚圈區昆 侖大街中段醫藥大廈)	33,000,000	100%	33,000,000
Sub-total:	240,000,000		240,000,000

	Market Value as at 31 December 2015 <i>RMB</i>	Interest attribute to the Group	Market Value attributable to the Group as at 31 December 2015 <i>RMB</i>
Group II – Property interests held by the Group for sale in the PRC			
5. Unsold units in the completed groups of Royal Lakes Garden Residence, Bayuquan District, Yingkou City, Liaoning Province, The PRC (中華人民共和國遼寧省營口市鮫魚圈區禦 水碧園內多個已完工洋房、別墅及停車位)	545,000,000	100%	545,000,000
Sub-total:	545,000,000		545,000,000
Group III – Property interests held by the Group for future development in the PRC			
6. A parcel of land located at Hot Spring Village, Xiong Yue Town, Bayuquan District, Yingkou City, Liaoning Province, The PRC (位於中華人民共和國遼寧省營口市鮫魚圈 區熊岳鎮溫泉村的一幅土地)	51,000,000	100%	51,000,000
Sub-total:	51,000,000		51,000,000
Total:	<u>836,000,000</u>		<u>836,000,000</u>

Group I – Property interests held by the Group for investment purpose in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2015 RMB
1. Royal Lakes Garden Health Care Center, Wang'ershan Avenue, Bayuquan District, Yingkou City, Liaoning Province, the PRC (中華人民共和國遼寧省營口市鮫魚圈區望兒山大街禦水碧園健康養生中心)	<p>The property comprises a 7-storey commercial building with one basement for car parking use erected on a parcel of land with a site area of approximately 2,150.00 sq.m. (23,142 sq.ft.).</p> <p>The total gross floor area of the property is approximately 14,003.00 sq.m. (150,727 sq.ft.).</p> <p>As advised, the property was completed in about 2015 for commercial use.</p> <p>The land use rights of the property have been granted for a term expiring on 15 August 2081 for residential use.</p>	As advised, as at the valuation date, the property was owner-occupied for commercial and accommodation uses.	<p>177,000,000 (RENMINBI ONE HUNDRED AND SEVENTY SEVEN MILLION ONLY)</p> <p>100% interest attributed to the Group: RMB177,000,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Ying Kou Guo Yong (2012) No.0006 dated 21 January 2012, the land use rights of the property with a site area of 2,150.00 sq.m. have been granted to Yingkou Jin Can Real Estates Development Co., Ltd. (營口金燦房地產開發有限公司) (“**Yingkou Jin Can**”) for a term of 70 years expiring on 15th August 2081 for residential use. Yingkou Jin Can is the former name of Bao Hua Properties (Yingkou) Real Estate Co., Ltd. (保華地產(營口)置業有限公司) (“**Baohua Yingkou**”), a connected party of the Company.
2. Pursuant to a Building Ownership Certificate – Fang Quan Zheng Xiong Zi No.20130601077 dated 25 June 2013, the building ownership of the property with a gross floor area of approximately 14,003.00 sq.m. has been vested in Yingkou Jin Can for commercial use.
3. The property is currently occupied and operated by Yingkou Royal Lakes Garden Health and Wellness Centre Co., Ltd. (營口御水碧園健康養生中心有限公司) (“**Yingkou Royal Lakes Garden**”), a connected party of the Company for clubhouse use. Pursuant to a Business Licence No. 210800004238819 dated 11 May 2015, Yingkou Royal Lakes Garden was established as a limited liability company with a registered capital of RMB10,000,000, an operation period from 28 January 2015 to 27 January 2035 and a permitted business scope covering food and beverage, bath, commercial service and selling alcohol and tobacco.
4. The property is situated in Bayuquan District. It is located to the south of Wang’ershan Avenue (望兒山大街), where the area is concentrated with low density residential developments and resorts such as Huayu Waterfront Residence (華禦水岸名居) and Tianmu Hot Spring Resorts (天沐營口熊岳溫泉度假村).
5. We have been provided with a legal opinion by the Group’s PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), regarding the legal title of the property, which contains, inter alia, the followings:
 - i. Yingkou Jin Can has obtained the State-owned Land Use Rights Certificate for the property, the land use rights are legally held by Yingkou Jin Can;
 - ii. all land grant premium of the property has been fully settled;
 - iii. current usage of the property is allowed by laws and statutory regulations where applicable;
 - iv. Yingkou Jin Can is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
 - v. the property is free from any mortgages or third parties’ encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2015 RMB										
2. Three commercial buildings located at Jincan Garden, Xiong Yue Town, Yingkou City, Liaoning Province, the PRC (位於中華人民共和國遼寧省營口市熊岳鎮金燦花園的三棟商業建築)	<p>The property comprises three commercial buildings of one to three storeys situated within Jincan Garden. Jincan Garden is a residential development erected on a parcel of land with a site area of approximately 40,406.00 sq.m. (434,927 sq.ft.).</p> <p>The total gross floor area of the property is approximately 2,072.25 sq.m. (22,306 sq.ft.) with details as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Building</th> <th style="text-align: right;">Approx. GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>One single-storey commercial building</td> <td style="text-align: right;">287.68</td> </tr> <tr> <td>One 2-storey commercial building</td> <td style="text-align: right;">1,192.98</td> </tr> <tr> <td>One 3-storey commercial building</td> <td style="text-align: right;">591.59</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">2,072.25</td> </tr> </tbody> </table>	Building	Approx. GFA (sq.m.)	One single-storey commercial building	287.68	One 2-storey commercial building	1,192.98	One 3-storey commercial building	591.59	Total	2,072.25	<p>As at the valuation date, portion of the property including the 2-storey commercial building and the 3-storey commercial building with a gross floor area of 1,784.57 sq.m. was subject to various tenancy agreements for a term expiring on 31 December 2023 at a total annual rental of approximately RMB190,000 whilst the remaining portion was vacant.</p> <p><i>(Please refer to note 3 below for details)</i></p>	<p>7,000,000 (RENMINBI SEVEN MILLION ONLY)</p> <p>100% interest attributed to the Group: RMB7,000,000</p>
Building	Approx. GFA (sq.m.)												
One single-storey commercial building	287.68												
One 2-storey commercial building	1,192.98												
One 3-storey commercial building	591.59												
Total	2,072.25												
	<p>As advised, the property was completed in about 2011 for ancillary commercial use.</p> <p>The land use rights of the property have been granted for a term expiring on 9 March 2047 for commercial service use.</p>												

Notes :

- Pursuant to a State-owned Land Use Rights Certificate – Ba Yu Quan Guo Yong (2009) No.0184 dated 14 August 2009, the land use rights with a site area of 40,406.00 sq.m. have been granted to Yingkou Jin Can Real Estate Development Co., Ltd. (營口金燦房地產開發有限公司) (“**Yingkou Jin Can**”) for a term expiring on 9 March 2047 for commercial service use. Yingkou Jin Can is the former name of Bao Hua Properties (Yingkou) Real Estate Co., Ltd. (保華地產(營口)置業有限公司) (“**Baohua Yingkou**”), a connected party of the Company.
- Pursuant to three Building Ownership Certificates, the building ownership of the property with a total gross floor area of approximately 2,072.55 sq.m. has been vested in Baohua Yingkou for commercial and office use. The details of such certificates are as follows:

Building Ownership Certificate No.	Issuance Date	Permitted Usage	Approx. GFA (sq.m.)
Fang Quan Zheng Xiong Zi No.20131100940	15 November 2013	Commercial	287.68
Fang Quan Zheng Xiong Zi No.20131100934	15 November 2013	Commercial	1,192.98
Fang Quan Zheng Xiong Zi No. 20131100897	15 November 2013	Office	591.59
Total:			2,072.25

- Pursuant to two Tenancy Agreements, the property is leased to Wang Xiuping (王秀平) and Gao Yuan (高原) with details as follows:

Building	Approx. GFA (sq.m.)	Tenant	Usage	Start	End	Annual Rent (RMB)
The 2-storey commercial building	1,192.98	Wang Xiuping	Kindergarten	1 January 2014	31 December 2023	RMB140,000 for the first 5 years and RMB154,000 for the last 5 years exclusive of tenancy related taxes and duties, management fee, all utility charges, any fitting expenses and other outgoing expenses.
The single-storey commercial building	591.59	Gao Yuan	Public bathhouse	1 January 2014	31 December 2023	RMB50,000 for the first 2 years, RMB60,000 for the next 2 years and RMB70,000 for the last 6 years exclusive of tenancy related taxes and duties, management fee, all utility charges, any fitting expenses and other outgoing expenses.
Total:						1,784.57

4. The property is situated in Bayuquan District. It is located to the north of Liaonan Avenue (遼南大街), where the area is concentrated with residential and composite developments such as Radio and Television Bureau Estate (廣電社區) and Hongcheng Shuxiang Garden (鴻程書香苑).
5. We have been provided with a legal opinion by the Group's PRC legal adviser, Liaoning Zhe Ming Law Firm* (遼寧哲明律師事務所), regarding the legal title of the property, which contains, inter alia, the followings:
 - i. Baohua Yingkou has obtained the State-owned Land Use Rights Certificate for the property, the land use rights are legally held by Baohua Yingkou;
 - ii. all land grant premium of the property has been fully settled;
 - iii. current usage of the property is allowed by laws and statutory regulations where applicable;
 - iv. the parties to the Tenancy Agreements have completed necessary statutory filing and registration process for the agreement. It is legally binding to and enforceable against both parties to the agreement;
 - v. Baohua Yingkou is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
 - vi. the property is free from any mortgages or third parties' encumbrances.

* *For identification purpose only*

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value as at 31 December 2015 RMB
3. Jinfeng Guesthouse, Sanjiazi Community, Bayuquan District, Yingkou City, Liaoning Province, the PRC (中華人民共和國遼 寧省營口市鮫魚圈 區三家子社區金峰 賓館)	The property comprises a 5-storey composite building with a total gross floor area of approximately 2,030.76 sq.m.(21,859 sq.ft.). As advised, the property was completed in about 2003 for commercial use.	As at the valuation date, the property was subject to a tenancy agreement for a term expiring on 31 December 2025 at a total annual rental of RMB 1,500,000. <i>(Please refer to note 2 below for details)</i>	23,000,000 (RENMINBI TWENTY THREE MILLION ONLY) 100% interest attributed to the Group: RMB23,000,000

Notes:

1. Pursuant to five Building Ownership Certificates, the building ownership of the property with a total gross floor area of approximately 2,030.76 sq. m. has been vested in Liu Yanchao (劉艷超) (according to Bo Fang Quan Zheng Zi No. 500003558 / 500003560 / 500003562) and Liaoning Bao Hua Properties Development Co., Ltd. (遼寧保華房地產有限公司) (“**Liaoning Baohua**”), a connected party of the Company, (according to Bo Fang Quan Zheng Zi No. 00530044 / 00530043) for commercial use. The details of such certificates are as follows:

Building Ownership Certificate No.	Issuance Date	Permitted Usage	Floor	Approximate Gross Floor Area (sq. m.)
Bo Fang Quan Zheng Zi No. 500003558	19 February 2003	Commercial	1/F	603.00
Bo Fang Quan Zheng Zi No. 500003560	19 February 2003	Commercial	2/F	371.52
Bo Fang Quan Zheng Zi No. 500003562	19 February 2003	Commercial	3/F	352.08
Bo Fang Quan Zheug Zi No. 00530044	27 June 2014	Commercial	4/F	352.08
Bo Fang Quan Zheng Zi No. 00530043	27 June 2014	Commercial	5/F	352.08
Total:				2,030.76

2. Pursuant to a tenancy agreement (the “**Tenancy Agreement**”) entered into between Liaoning Baohua (the “**Lessor**”) and Yingkou Coastal Bank Co., Limited (營口沿海銀行股份有限公司) (the “**Lessee**”), the property with a gross floor area of 2,030.76 sq. m. is leased to the Lessee with a term commencing on 1 November 2014 and expiring on 31 December 2025 at a total annual rental of RMB1,500,000 with a growth rate of 5% every two years inclusive of partial tenancy related taxes and duties but exclusive of management fee, all utility charges, any fitting expenses and other outgoing expenses for commercial use.
3. The property is situated in Bayuquan District. It is located to the west of Binhai Highway (濱海公路) and to the south of Ying’ gang Road (營港路), where the area is concentrated with commercial and composite buildings, such as Century Plaza (世紀廣場) and Yifeng Mansion (奕豐大廈).
4. As advised by the Group, Liaoning Baohua is in the process of applying for transferring the building ownership of 1/F – 3/F of the property from Liu Yanchao to Liaoning Baohua. According to the Group’s PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), Liaoning Baohua has made the payment of an agreed amount to Liu Yanchao and the whole procedure is expected to be completed by 31 March 2016. In the course of our valuation, we have valued the property based on the assumption that Liaoning Baohua has obtained the Building Ownership Certificates for the property, the building ownership is legally vested in Liaoning Baohua.
5. As advised by the Group, Liaoning Baohua is in the process of applying the State-owned Land Use Rights Certificate for the property. According to the Group’s PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), there will be no legal impediments for Liaoning Baohua to obtain such title certificate and the land use right is reasonably estimated to expire on 18 February 2043 according to designated usage of the property. In the course of our valuation, we have valued the property based on the following assumptions:
 - i. Liaoning Baohua has obtained the State-owned Land Use Rights Certificate for the property, the land use rights are legally held by Liaoning Baohua;
 - ii. all land grant premium of the property has been fully settled;
 - iii. The land use rights of the property have been granted for a term expiring on 18 February 2043 for commercial use.
6. We have been provided with a legal opinion by the Group’s PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), regarding the legal title of the property, which contains, inter alia, the followings:
 - i. current usage of the property is allowed by laws and statutory regulations where applicable;
 - ii. the parties to the Tenancy Agreement have completed necessary statutory filing and registration process for the agreement. It is legally binding to and enforceable against both parties to the agreement;
 - iii. Liaoning Baohua is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
 - iv. the property is free from any mortgages or third parties’ encumbrances.

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value																		
			as at 31 December 2015 RMB																		
4. Medical Building, the middle of Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province, The PRC (中華人民共和國遼 寧省營口市鮫魚圈 區昆侖大街中段醫 藥大廈)	<p>The property comprises a complex building consisted of three blocks: a 7-storey commercial main building, a 2-storey retail building and an ancillary single-storey warehouse.</p> <p>As advised, the property was completed in about 2005 for composite use.</p> <p>The total gross floor area of the property is approximately 5,686.56 sq.m. (61,210 sq.ft.) with details as follows:</p> <table border="1"> <thead> <tr> <th>Block</th> <th>Usage</th> <th>Approx. GFA (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>The 7-storey commercial main building</td> <td>Retail</td> <td>132.50</td> </tr> <tr> <td>The 2-storey retail building</td> <td>Office</td> <td>3,992.23</td> </tr> <tr> <td>The Ancillary single-storey warehouse</td> <td>Retail</td> <td>209.83</td> </tr> <tr> <td></td> <td>Storage</td> <td>1,352.00</td> </tr> <tr> <td>Total</td> <td></td> <td>5,686.56</td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for a term expiring on 28 December 2049 for composite use.</p>	Block	Usage	Approx. GFA (sq.m.)	The 7-storey commercial main building	Retail	132.50	The 2-storey retail building	Office	3,992.23	The Ancillary single-storey warehouse	Retail	209.83		Storage	1,352.00	Total		5,686.56	<p>As at the valuation date, the portion of the property with a gross floor area of approximately 1,500.00 sq.m. on 1/F and 2/F of the 7-storey commercial main building was subject to a tenancy agreement for a term expiring on 31 October 2023 at a total annual rental of RMB 1,500,000. Remaining portion of the property was owner-occupied for commercial use. <i>(Please refer to note 3 below for details)</i></p>	<p>33,000,000 (RENMINBI THIRTY THREE MILLION ONLY)</p> <p>100% interest attributed to the Group: RMB33,000,000</p>
Block	Usage	Approx. GFA (sq.m.)																			
The 7-storey commercial main building	Retail	132.50																			
The 2-storey retail building	Office	3,992.23																			
The Ancillary single-storey warehouse	Retail	209.83																			
	Storage	1,352.00																			
Total		5,686.56																			

Notes:

- Pursuant to the State-owned Land Use Rights Certificate Yingkou Gou Yung (2013) No. 5127, the land use rights of the property with a total site area of approximately 4,140 sq. m. have been granted to Liaoning Bao Hua Properties Development Co., Ltd. (遼寧保華房地產有限公司) (“Liaoning Baohua”), a connected party of the Company, for a term expiring on 28 December 2049 for composite use.
- Pursuant to seven Building Ownership Certificates, the building ownership of the property with a total gross floor area of approximately 5,686.56 sq.m. has been vested in Liaoning Baohua for office, commercial and warehouse uses. The details of such certificates are as follows:

Building Ownership Certificate No.	Issuance Date	Permitted Usage	Floor	Approximate Gross Floor Area (sq. m.)
Bo Fang Quan Zheng Zi No. 00484959	25 December 2013	Office	1/F – 5/F	1,832.40
Bo Fang Quan Zheng Zi No. 00484960	25 December 2013	Office	1/F – 7/F	2,159.23
Bo Fang Quan Zheng Zi No. 00484961	25 December 2013	Commercial	1/F	65.00
Bo Fang Quan Zheng Zi No. 00484962	25 December 2013	Commercial	1/F	32.40
Bo Fang Quan Zheng Zi No. 00484963	25 December 2013	Commercial	1/F	35.10
Bo Fang Quan Zheng Zi No. 00484964	25 December 2013	Commercial	1/F – 2/F	209.83
Bo Fang Quan Zheng Zi No. 00490114	25 December 2013	Warehouse	1/F	1,352.00
Total:				5,658.56

- Pursuant to a tenancy agreement (the “**Tenancy Agreement**”) entered into between Liaoning Baohua (the “**Lessor**”) and Yingkou Bank Co., Limited Kunlun Branch (營口銀行股份有限公司昆侖支行) (the “**Lessee**”), the property with a gross floor area of 1,500.00 sq. m. is leased to the Lessee with a term commencing on 1 November 2013 and expiring on 31 October 2023 at an annual rental of RMB1,500,000 inclusive of tenancy related taxes and duties but exclusive of management fee, all utility charges, any fitting expenses and other outgoing expenses for commercial use.
- The property is situated in Bayuquan District. It is located to the east of Kunlun Avenue (昆侖大街) and to the south of Changjiang Road (長江路), where the area is concentrated with commercial buildings, composite buildings and hotels, such as Wanlong Plaza (萬隆廣場), Hongwang Group Commercial Mansion (紅旺集團商業大廈) and Home Inns (如家快捷酒店).
- We have been provided with a legal opinion by the Group’s PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), regarding the legal title of the property, which contains, inter alia, the followings:
 - Liaoning Baohua has obtained the State-owned Land Use Rights Certificate for the property, the land use rights are legally held by Liaoning Baohua;
 - all land grant premium of the property has been fully settled;
 - current usage of the property is allowed by laws and statutory regulations where applicable;
 - the parties to the Tenancy Agreement have completed necessary statutory filing and registration process for the agreement. It is legally binding to and enforceable against both parties to the agreement;
 - Liaoning Baohua is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
 - the property is free from any mortgages or third parties’ encumbrances.

Notes:

1. Pursuant to three State Land Use Rights Grant Contracts, the land use rights of Royal Lakes Garden Residence with a total site area of approximately 102,057.00 sq.m. have been granted to Yingkou Jin Can Real Estates Development Co., Ltd. (營口金燦房地產開發有限公司) (“**Yingkou Jin Can**”). Yingkou Jin Can is the former name of Bao Hua Properties (Yingkou) Real Estate Co., Ltd. (保華地產(營口)置業有限公司) (“**Baohua Yingkou**”), a connected party of the Company. The details of such certificates are as follows:

State Land Use Grant Rights Contract No.	Lot No.	Issuance Date	Plot Ratio	Site Coverage (%)	Height Restriction	Green Rate	Permitted Usage	Approx. Site Area (sq.m.)	Max. Permitted GFA (sq.m.)
210804-2011-A-6080	2010-J-8	16 August 2011	≥1.0, ≤2.0	≥30%, ≤35%	20m	≤30%	Residential	32,276.00	64,552.00
2108042013A6004	2011-P-1	25 January 2013	≥1.5, ≤2.2	≥30%, ≤35%	40m	≥20%, ≤30%	Residential	15,331.00	33,728.00
210802-2009-A-0152	2009-B-4	20 November 2009	≥1.4, ≤1.5	≥29%, ≤31%	20m	≥30%	Residential	56,600.00	84,900.00
Total:								104,207.00	183,180.00

2. Pursuant to three State-owned Land Use Rights Certificates, the land use rights of Royal Lakes Garden Residence with a site area of approximately 102,057.00 sq.m have been granted to Yingkou Jin Can. As advised by the Company, the parcels of land below were acquired on 16 August 2011, 25 January 2013 and 20 November 2009 respectively at land premiums of RMB23,238,720, RMB16,097,550 and RMB35,092,000 respectively. The details of such certificates are as follows:

State-owned Land Use Rights Certificate No.	Issuance Date	Land Use Rights Expiring Date	Usage	Approximate Site Area (sq.m.)
Ying Kou Guo Yong (2012) No.6005	21 January 2012	15 August 2081	Residential	30,126.00
Ying Kou Guo Yong (2012) No.6015	16 April 2013	24 January 2083	Residential	15,331.00
Xiong Yue Guo Yong (2009) No.6071	20 November 2009	19 November 2079	Residential	56,600.00
Total:				102,057.00

3. Pursuant to 154 Building Ownership Certificates – Fang Quan Zheng Xiong Zi No. 20130600859, 20130600861, 20130600862, 20130600864 – 20130600875, 20130600877 – 20130600880, 20130600882, 20130600883, 20130600885, 20130600893, 20130600896, 20130600897, 20130600900, 20130600902, 20130600904 – 20130600907, 20130600909 – 20130600911, 20130600913 – 20130600917, 20130600919 – 20130600921, 20130600923, 20130600925, 20130600930 – 20130600934, 20130600937, 20130600939 – 20130600943, 20130600945, 20130600946, 20130600950 – 20130600954, 20130600958, 20130600961 – 20130600999, 20130601001 – 20130601003, 20130601005 – 20130601008, 20130601010, 20130601012 – 20130601055 dated 22 June 2013, the building ownership of the 127 apartments and 27 villas of the property with a total gross floor area of approximately 36,522.32 sq.m. has been vested in Yingkou Jin Can for residential use.
4. According to the information and Floor Plans provided by the Company, 197 unsold underground car parking spaces (the “CPS”) are included in the property for car parking use. According to the legal opinion provided by the Group’s PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), Yingkou Jin Can legally possesses ownership of the 197 unsold underground CPS and is entitled to transfer the property freely in the market.
5. The property is situated in Bayuquan District. It is located to the south of Wang’ershan Avenue (望兒山大街), where the area is concentrated with low density residential developments and resorts such as Huayu Waterfront Residence (華禦水岸名居) and Tianmu Hot Spring Resorts (天沐營口熊岳溫泉度假村).
6. We have been provided with a legal opinion by the Group’s PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), regarding the legal title of the property, which contains, inter alia, the followings:
- Yingkou Jin Can has obtained the State-owned Land Use Rights Certificate for the property, the land use rights are legally held by Yingkou Jin Can;
 - all land grant premium of the property has been fully settled;
 - Yingkou Jin Can is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
 - the property is free from any mortgages or third parties’ encumbrances.

Group III – Property interests held by the Group for future development in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 December 2015 RMB
6. A parcel of land located at Hot Spring Village, Xiong Yue Town, Bayuquan District, Yingkou City, Liaoning Province, The PRC (位於中華人民共和國遼寧省營口市鮫魚圈區熊岳鎮溫泉村的一幅土地)	The property comprises a parcel of undeveloped land with a site area of approximately 30,395.00 sq.m. (327,169 sq.ft.) within Royal Lakes Garden Residence. Royal Lakes Garden Residence is a low density residential development erected on a parcel of land with a site area of approximately 102,057.00 sq.m. (1,098,532 sq.ft.). The land use rights of the property have been granted for a term expiring on 19 November 2079 for residential use.	As at the valuation date, the property was pending for future development.	51,000,000 (RENMINBI FIFTY ONE MILLION ONLY) 100% interest attributed to the Group: RMB51,000,000

Notes:

1. Pursuant to three State Land Use Rights Grant Contracts, the land use rights of Royal Lakes Garden Residence with a total site area of approximately 102,057.00 sq.m. have been granted to Yingkou Jin Can Real Estates Development Co., Ltd. (營口金燦房地產開發有限公司) (“**Yingkou Jin Can**”) Yingkou Jin Can is the former name of Bao Hua Properties (Yingkou) Real Estate Co., Ltd. (保華地產(營口)置業有限公司) (“**Baohua Yingkou**”), a connected party of the Company. The details of such certificates are as follows:

State Land Use Grant Rights Contract No.	Lot No.	Issuance Date	Plot Ratio	Site Coverage (%)	Height Restriction	Green Rate	Permitted Usage	Approx. Site Area (sq.m.)	Max. Permitted GFA (sq.m.)
210804-2011-A-6080	2010-J-8	16 August 2011	≥1.0, ≤2.0	≥30%, ≤35%	20m	≤30%	Residential	32,276.00	64,552.00
2108042013A6004	2011-P-1	25 January 2013	≥1.5, ≤2.2	≥30%, ≤35%	40m	≥20%, ≤30%	Residential	15,331.00	33,728.00
210802-2009-A-0152	2009-B-4	20 November 2009	≥1.4, ≤1.5	≥29%, ≤31%	20m	≥30%	Residential	56,600.00	84,900.00
Total:								104,207.00	183,180.00

2. Pursuant to three State-owned Land Use Rights Certificates, the land use rights of Royal Lakes Garden Residence with a site area of approximately 102,057.00 sq.m have been granted to Yingkou Jin Can. As advised by the Company, the parcels of land below were acquired on 16 August 2011, 25 January 2013 and 20 November 2009 respectively at land premiums of RMB23,238,720, RMB16,097,550 and RMB35,092,000 respectively. The details of such certificates are as follows:

State-owned Land Use Rights Certificate No.	Issuance Date	Land Use Rights Expiring Date	Usage	Approximate Site Area (sq.m.)
Ying Kou Guo Yong (2012) No.6005	21 January 2012	15 August 2081	Residential	30,126.00
Ying Kou Guo Yong (2012) No.6015	16 April 2013	24 January 2083	Residential	15,331.00
Xiong Yue Guo Yong (2009) No.6071	20 November 2009	19 November 2079	Residential	56,600.00
Total:				102,057.00

3. The property is situated in Bayuquan District. It is located to the south of Wang'ershan Avenue (望兒山大街), where the area is concentrated with low density residential developments and resorts such as Huayu Waterfront Residence (華禦水岸名居) and Tianmu Hot Spring Resorts (天沐營口熊岳溫泉度假村).
4. We have been provided with a legal opinion by the Group's PRC legal adviser, Liaoning Zhe Ming Law Firm (遼寧哲明律師事務所), regarding the legal title of the property, which contains, inter alia, the followings:
- i. Yingkou Jin Can has obtained the State-owned Land Use Rights Certificate for the property, the land use rights are legally held by Yingkou Jin Can;
 - ii. all land grant premium of the property has been fully settled;
 - iii. Yingkou Jin Can is entitled to transfer, lease, mortgage or dispose of the property freely in the market; and
 - iv. the property is free from any mortgages or third parties' encumbrances.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters, the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interest of Directors and Chief Executive in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares of the Company

Director	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Mr. Meng	60,430,371 (L)	Beneficial owner	1.53%
	2,250,082,214 (L)	Interest in controlled corporation (<i>Note 1</i>)	57.13%
Mr. Wu	133,264,500 (L)	Interest in controlled corporation (<i>Note 2</i>)	3.38%
	26,386,371 (L)	Share options (<i>Note 3</i>)	0.67%
Mr. Guo	26,386,371 (L)	Share options (<i>Note 3</i>)	0.67%
Mr. Zheng Bailin	2,638,637 (L)	Share options (<i>Note 4</i>)	0.07%
Mr. Shen Ruolei	2,638,637 (L)	Share options (<i>Note 4</i>)	0.07%
Mr. Pun Chi Ping	2,638,637 (L)	Share options (<i>Note 4</i>)	0.07%

The letter "L" denotes a long position in the Shares.

Notes:

1. 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng and Madam Bao Le, being a spouse of Mr. Meng, held 97.5% and 2.5% respectively in HHGL. Mr. Meng was deemed to be interested in all Shares held by HIL by virtue of the SFO.
2. 133,264,500 Shares are beneficially owned by Forest Tree Limited, which in turn was wholly-owned owned by Mr. Wu, an executive Director. Mr. Wu was deemed to be interested in all 133,264,500 Shares held by Forest Tree Limited by virtue of the SFO.
3. 26,386,371 share options have been granted to each of Mr. Wu and Mr. Guo. For further details of the said share options granted, please refer to the announcements dated 16 February 2015 and 30 June 2015 by the Company.
4. 2,638,637 share options have been granted to each of Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping. For further details of the said share options granted, please refer to the announcement dated 30 June 2015 by the Company.

Interests in shares in associated corporations

Associated corporation	Director	Amount of Registered Capital in the associated corporation	Capacity	Approximate percentage of interest in the registered capital of the associated corporation
HHGL (<i>Note 5</i>)	Mr. Meng	97,500,000	Beneficial owner	97.5%

5. HIL, Huajun Holdings Group Limited and Huajun (International) Development Limited are wholly-owned subsidiaries of HHGL.

As at the Latest Practicable Date, save as disclosed above, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have such provisions of the SFO); or (ii) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of interest/capacity	Number of shares	Approximate percentage of interests in the issued share capital of the Company
Bao Le	Interest held by spouse	2,250,082,214 (L) (Note (a))	57.13%
HIL	Beneficial owner	2,250,082,214 (L) (Note (a))	57.13%
Huajun Holdings Group Limited	Interest of controlled corporation (Note (a))	2,250,082,214 (L)	57.13%
Huajun (International) Development Limited	Interest of controlled corporation	2,250,082,214 (L) (Note (a))	57.13%
HHGL	Interest of controlled corporation	2,250,082,214 (L) (Note (a))	57.13%
Mr. Meng	Interest of controlled corporation	2,250,082,214 (L) (Note (a))	57.13%
	Beneficial owner	60,430,371 (L)	1.53%

Note:

- (a) 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng and Madam Bao Le, being a spouse of Mr. Meng, held 97.5% and 2.5% respectively in HHGL. Mr. Meng was deemed to be interested in all Shares held by HIL by virtue of the SFO. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by HIL.

The letter "L" denotes a long position in the shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person (other than a Director or chief executive of the Company) or corporation which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

8. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions and advice in this circular are as follows:

Names	Qualifications
BDO Limited	Chartered Accountants Certified Public Accountants
Wallbank Brothers Securities (Hong Kong) Limited	A corporation licensed under the SFO to conduct Type 4 (Advising on Securities), Type 6 (advising on corporate finance) and Type 9 (Asset Management) of the regulated activities
RHL Appraisal Limited	Professional surveyors and valuers

As at the Latest Practicable Date, each of BDO Limited, Wallbank Brothers Securities (Hong Kong) Limited and RHL Appraisal Limited has no shareholding in any company in the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Enlarged Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group since 31 March 2015, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Each of BDO Limited, Wallbank Brothers Securities (Hong Kong) Limited and RHL Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice and/or references to its name, in the form and context in which they respectively appear.

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the sale and purchase agreement dated 28 March 2014 entered into between Prince Jade Limited, a wholly-owned subsidiary of the Company, as the vendor and Mr. Law Man Lung as the purchaser in relation to the sale and purchase of 70% of the issued share capital of CEPA Alliance Holdings Limited for a consideration of HK\$34,800,000;
- (b) the loan agreement dated 29 September 2014 entered into between the Company and HIL in respect of a loan in the principal amount of HK\$585,960,000.00;

- (c) the subscription agreement dated 5 November 2014 entered into between Huajun Capital Limited and Sheng Yuan Holdings Limited in relation to the subscription by Huajun Capital Limited of convertible bond issued by Sheng Yuan Holdings Limited in a principal amount of HK\$100 million;
- (d) the subscription agreement dated 28 November 2014 entered into between Huajun Capital Limited, a wholly-owned subsidiary of the Company, and Global High Growth Industries Fund Series SPC (“**GHGI Fund Series SPC**”) in relation to the subscription of the shares of GHGI Fund Series SPC in relation to the Sheng Hua Financial Stable Growth Investment Fund SP, which are classified into Class B (“**Class B Shares**”) in a principal amount of HK\$542.87 million;
- (e) the sale and purchase agreement entered into between Huajun Capital Limited and Wah Lun International Development Limited on 19 January 2015 in relation to the disposal of the Class B Shares of GHGI Fund Series SPC to Wah Lun International Development Limited for a consideration of HK\$564,090,982.57;
- (f) the sale and purchase agreement entered into between Huajun Capital Limited and CL International Training Limited on 19 January 2015 in relation to the disposal of the 8% 3-year convertible bonds of a principal amount of HK\$100 million by Huajun Capital Limited to CL International Training Limited for a consideration of HK\$101,797,260.27;
- (g) the share subscription agreement dated 20 January 2015 made among Huajun Logistics Co. Limited, a wholly-owned subsidiary of the Company, as the subscriber, Candice Development Limited as the issuer, and Gather Take Development Limited as the guarantor, in relation to the subscription of the 52,041 shares of Candice Development Limited for a consideration of US\$52,041 (equivalent to approximately HK\$404,880);
- (h) the sale and purchase agreement dated 6 February 2015 entered into between Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser and Mr. Qin Shixu* (秦世旭) and Ms. Cheng Meijun* (程梅君) as the vendors in relation to the sale and purchase of entire equity interest of Dashiqiao Continuously Water Affairs Limited* (大石橋源源水務有限公司) for a consideration of RMB100,000,000 (equivalent to approximately HK\$125,000,000);
- (i) the sale and purchase agreement dated 9 February 2015 entered into between Mr. Li Yonggang* (李永剛) as the vendor and B&H Properties Group Limited* (保華地產集團有限公司), a wholly-owned subsidiary of the Company, as the purchaser in relation to the sale and purchase of 40% equity interest in Zhihua Logistics Technology Co., Ltd of Yingkou Economic Development Zone* (營口經濟技術開發區志華物流有限公司) for a consideration of RMB120,000,000 (equivalent to approximately HK\$150,000,000);
- (j) the sale and purchase agreement dated 9 February 2015 entered into between Zhao Changai* (趙長愛) as the vendor and B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser in relation to the sale and purchase of 80% equity interest in Yingkou Wanhe Industrial Co. Ltd* (營口

萬合實業有限公司) for a consideration of RMB80,000,000 (equivalent to approximately HK\$100,000,000);

- (k) the subscription agreement dated 10 February 2015 entered into between the Company and the subscribers named therein in respect of the subscription of the 533,058,000 new Shares issued by the Company at HK\$0.70 each;
- (l) the conditional subscription agreement dated 13 February 2015 entered into between the Company, HIL and Mr. Wu in respect of the subscription of the convertible bonds of an aggregate principal amount of HK\$500 million issued by the Company on 11 June 2015;
- (m) the sale and purchase agreement dated 26 March 2015 entered into between the Company and Hung Jia Holdings Limited, in relation to the disposal of 100% shareholding of Success Crest Investment Limited for a consideration of RMB90,000,000 (equivalent to approximately HK\$112,500,000);
- (n) the sale and purchase agreement dated 26 March 2015 entered into between New Island Holdings (B.V.I.) Limited, a wholly-owned subsidiary of the Company, and Folli Follie Group Holding Co., Ltd, in relation to the disposal of 100% shareholding of New Island Property (B.V.I.) Limited for a consideration of HK\$142,800,000;
- (o) the termination agreement dated 27 March 2015 entered into between Mr. Li Yonggang* (李永剛) as the vendor and B&H Properties Group Limited* (保華地產集團有限公司), an indirect wholly-owned subsidiary of the Company, as the purchaser in relation to the sale and purchase of 40% equity interest in Zihua Logistics Technology Co., Ltd of Yingkou Economic Development Zone* (營口經濟技術開發區志華物流有限公司) for a consideration of RMB120,000,000 (equivalent to approximately HK\$150,000,000);
- (p) the supplemental agreement dated 31 March 2015 entered into between the Company, HIL and Mr. Wu for the purpose of supplementing and amending the subscription agreement in respect of the subscription of the convertible bonds of an aggregate principal amount of HK\$500 million issued by the Company on 11 June 2015;
- (q) capital increase agreement dated 27 April 2015 entered into between New Island Management Services Limited and Harbin Hezhong in respect of the subscription of additional registered capital of Shenzhen Huajun Financial Leasing Limited* (深圳市華君融資租賃有限公司) at a consideration of US\$15 million (equivalent to approximately HK\$116.7 million), as a result of which Harbin Hezhong is interested in 30% equity interest in Shenzhen Huajun Financial Leasing Limited* (深圳市華君融資租賃有限公司);
- (r) the sale and purchase agreement dated 26 May 2015 entered into between Huajun Industrial Equipment Group Limited* (華君工業裝備集團有限公司), an indirect wholly-owned subsidiary of the Company, as the purchaser, and Linhai Finance Bureau* (臨海市財政局) and Linhai Economic and Information Technology Bureau* (臨海市經濟和信息化局), together as the vendors, in relation to the entire equity interest of Zhejiang Linhai Machinery Company Limited* (浙江臨海機械有限公司) for a consideration of RMB192,150,000 (equivalent to approximately HK\$240,187,500);

- (s) the sale and purchase agreement dated 26 May 2015 entered into between Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司), an indirect wholly-owned subsidiary of the Company, as the purchaser, and Yingkou Yin Ke Jian An Investment Co., Ltd.* (營口銀科建安投資有限公司), as the vendor, in relation to the 49% equity interest of Liaoning Yinzhu Chemtex Group Co. Ltd.* (遼寧銀珠化紡集團有限公司) for a consideration of RMB70,000,000 (equivalent to approximately HK\$87,500,000);
- (t) the conditional sale and purchase Agreement dated 12 June 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser and Zhang Yu* (張玉), as the vendor in relation to 60% equity interest in Dalian Bao Xing Da Industrial Co., Ltd.* (大連保興達實業有限公司) for a consideration of RMB60 million (equivalent to approximately HK\$75 million);
- (u) the sale and purchase agreement dated 17 June 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser and Lijiang Tianan Forestry Development Co., Ltd.* (麗江天安林業開發有限公司), as the vendor, in relation to the entire equity interest of each of Heqing County Sengong Forestry Development Co., Ltd.* (鶴慶縣森工林業有限公司), Ninglang Boyu Forestry Development Co., Ltd.* (寧蒗博宇林業開發有限公司) and Yangbi Yunsen Forestry Development Co., Ltd.* (漾濞雲森林業有限公司) for a consideration of RMB160 million (equivalent to approximately HK\$200 million);
- (v) an agreement dated 26 June 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser, Tianan Property Investment Strategic Planning (Shenzhen) Co. Ltd.* (天安地產投資策劃(深圳)有限公司) and Suzhou Tianan Import and Export Trading Co. Ltd.* (蘇州天安進出口貿易有限公司) in relation to the proposed establishment of a joint venture company;
- (w) an agreement dated 16 July 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser and Mr. Zhou Luohong* (周羅洪), Mr. Xie Jianming* (謝建明) and Ms. Zhou Jing* (周靜), collectively as the vendor, in relation to the entire equity interest of Yingkou Xiang Feng Properties Company Limited* (營口翔峰置業有限公司) and development project named Xiang Feng Wealth Seaview* (翔峰財富海景) including the use rights of the state-owned lands for a consideration of RMB250 million (equivalent to approximately HK\$312.5 million);
- (x) the agreement dated 25 August 2015 entered into between Zhang Ying* (張英) and Zhang Hao* (張浩), as the vendors, and Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司), as the purchaser, in relation to the acquisition of Changzhou City Jintan Ruixin Optoelectronic Co., Ltd.* (常州市金壇瑞欣光電有限公司) and the shareholder's loan at a consideration of RMB75,000,001 (equivalent to approximately HK\$91,500,001);

- (y) the agreement dated 25 August 2015 entered into between Kong De Song* (孔德松) and Shen Li Li * (沈莉莉), as the vendors, and Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司), as the purchaser, in relation to the acquisition of Jiangsu Zhong Ke Zhong Ke Guo Neng Photovoltaic Technology Co., Ltd.* (江蘇中科國能光伏科技有限公司) at a consideration of RMB1.00 (equivalent to approximately HK\$1.22);
- (z) an equity transfer agreement dated 26 August 2015 entered into between Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司), as the purchaser and Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司), as the vendor, in relation to the purchase of assets for a consideration of RMB33,412,572.70 (equivalent to approximately HK\$40,763,338.69);
- (aa) the agreement dated 10 September 2015 entered into between Yu Jun* (于俊), as the vendor, and Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司), as the purchaser, in relation to the acquisition of the entire equity interest in Jurong Guangxuan Optoelectronic Technology Co., Ltd.* (句容光軒光電科技有限公司) and the shareholder's loan, which amounted to not less than approximately RMB142,900,000 (equivalent to approximately HK\$174,338,000), due by Jurong Guangxuan Optoelectronic Technology Co., Ltd.* (句容光軒光電科技有限公司) to Yu Jun* (于俊) for a consideration of RMB212,900,000 (equivalent to approximately HK\$259,738,000);
- (bb) the Sale and Purchase Agreement dated 7 October 2015 entered into between the Vendor and the Purchaser in relation to the Acquisition for a consideration of RMB750,000,000 (equivalent to approximately HK\$915,000,000);
- (cc) the assets transfer agreement dated 31 December 2015 entered into between Jurong Zhong Ke Guo Neng Photovoltaic Technology Limited* (句容中科國能光伏科技有限公司), an indirect wholly-owned subsidiary of the Company, as a transferee, and Jurong Guangxuan Optoelectronic Technology Ltd.* (句容光軒光電科技有限公司), as a transferor in relation to the acquisition in relation to the Target Asset for the non-current assets set out in the said assets transfer agreement for the consideration of RMB 292,900,000;
- (dd) the subscription agreement dated 18 January 2016 entered into between Huajun Power Company Limited (華君電力有限公司) and Baohuaxing Assets Management (Shenzhen) Co., Ltd.* (保華興資產管理(深圳)有限公司), both as subscribers, and Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司), as an issuer, in relation to the subscription by of 629,629,629 new ordinary shares of RMB1.00 each in the share capital of Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司) in the aggregate consideration of RMB1,700,000,000 (approximately HK\$2,006,000,000);
- (ee) the disposal agreement dated 18 January 2016 entered into between Huajun Power Company Limited (華君電力有限公司) and Baohuaxing Assets Management (Shenzhen) Co., Ltd.* (保華興資產管理(深圳)有限公司), both as vendors, and Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司), as a purchaser, in relation to the sale and purchase of the entire equity interest in Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司);

- (ff) the profit guarantee agreement dated 18 January 2016 entered into between Huajun Power Company Limited (華君電力有限公司) and Baohuaxing Assets Management (Shenzhen) Co., Ltd.* (保華興資產管理(深圳)有限公司), both as guarantors, and Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司) in relation to the entire equity interest in Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司) for the consideration to be determined in accordance with the valuation of the Disposal Interest as at 31 December 2015;
- (gg) the placing agreement dated 18 January 2016 entered into between the Company and Get Nice Securities Limited in respect of the subscription of up to 2,180,000,000 new Shares to be placed under the placing agreement at HK\$0.75 each;
- (hh) the sale and purchase agreement dated 19 January 2016 entered into between, among others, B&H Properties Management (China) Limited (保華置業管理(中國)有限公司), as a vendor, and Zhou Hailin (周海林) and Zhou Guoqing (周國慶), as purchasers, in relation to the sale and purchase of the 80% equity interest in Yingkou Wanhe Industrial Company Limited* (營口萬合實業有限公司) in the aggregate consideration of RMB480 million (equivalent to approximately HK\$566.4million);
- (ii) the conditional subscription agreement dated 20 January 2016 entered into between the Company and HIL in respect of the subscription of the convertible bonds of an aggregate principal amount of HK\$1,330,000,000.

10. GENERAL

- (a) The company secretary of the Company is Mr. Chan Wing Hang, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (c) The head office and principal place of business of the Company is situated at 36/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.
- (d) The Hong Kong share registrar of the Company is Union Registrars Limited, located at A18th Floor, Asia Orient Tower Town Place, 33 Lockhart Road Wanchai, Hong Kong.
- (e) In the event of inconsistency, the English text shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at 36/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong during normal business hours on any week day (except public holidays) for the period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;

- (b) the annual reports of the Company for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015;
- (c) the accountants' report of the Target Company prepared by BDO Limited, the text of which is set out in Appendix II to this circular;
- (d) the report on the unaudited pro forma financial information of the Enlarged Group prepared by BDO Limited, the text of which is set out in Appendix IV to this circular;
- (e) the valuation report on landed properties of the Target Group prepared by RHL Appraisal Limited, the text of which is set out in Appendix V to this circular;
- (f) the material contracts referred to under the section headed "Material Contracts" in this appendix;
- (g) the Sale and Purchase Agreement;
- (h) a letter of recommendation dated 1 February 2016 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 24 to 25 of this circular;
- (i) a letter of advice from Wallbanck Brothers Securities (Hong Kong) Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 26 to 65 of this circular;
- (j) the written consent referred to in the paragraph headed "Experts and Consents" in this appendix;
- (k) the circulars of the Company dated 7 May 2015, 14 August 2015, 31 August 2015 and 30 November 2015;
- (l) this circular.



HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

NOTICE IS HEREBY GIVEN that a special general meeting of Huajun Holdings Limited (the “**Company**”) will be held at 3:00 p.m. on Tuesday, 23 February 2016 at the Conference Room, 36/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION

“THAT:

- (a) a sale and purchase agreement dated 7 October 2015 (the “**Agreement**”) (a copy of which has been produced at this Meeting and marked “A” and initialed by the chairman of this meeting for the purpose of identification) entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company, as the purchaser, and Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司), as the vendor, in relation to the acquisition of the entire equity interest in Liaoning Bao Hua Properties Development Co., Ltd.* (遼寧保華房地產開發有限公司) (the “**Target Company**”) and the transactions contemplated thereunder or incidental to the Agreement be and are hereby approved, ratified and confirmed;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Consideration Shares (as defined below), the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to issue and allot a total of 400,000,000 new share of the Company (the “**Consideration Shares**”) upon completion of the Agreement. The Specific Mandate is in addition to, and shall not prejudice nor revoke any existing or such other general or special mandates which may from time to time be granted to the Directors prior to the passing of this resolution;
- (c) the allotment and issue of 400,000,000 Consideration Shares, credited as fully paid, rank pari passu in all respect with all the existing Shares then in issue, pursuant to the Specific Mandate be and is hereby approved; and

* For identification purpose only

NOTICE OF SGM

- (d) save and except Mr. Meng Guang Bao, who is interested in the transactions contemplated under the Agreement, any one or more of the directors of the Company be and is hereby authorised to sign and execute such other documents or supplemental agreements or deeds for and on behalf of the Company and to implement and take all steps and to do all acts and things which in his/her opinion may be necessary or desirable to give effect and/or to complete or in connection with the transactions contemplated hereby (including, without limitation to, the execution, amendment, supplement, delivery, submission and implementation of any further documents or agreements amending the terms of the Agreement).”

By Order of the Board
Wu Jiwei
*Chief Executive Officer and
Executive Director*

Hong Kong, 1 February 2016

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete, sign and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the aforesaid meeting or any adjournment thereof should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notorially certified copy of such power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
5. In the case of joint holders of shares, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of such joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
6. The voting on the proposed resolution at the SGM will be conducted by way of poll.

As at the date of this notice, 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.