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

If you have sold or transferred all your shares in Huajun Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the 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)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE DISPOSALS OF EQUITY INTERESTS IN
LIAONING YINZHU CHEMTEX GROUP CO. LIMITED AND
ZHEJIANG LINHAI MACHINERY LIMITED**

Independent Financial Adviser



INCU Corporate Finance Limited

Capitalised terms used herein shall have the meanings set out in the section headed "Definitions" in this circular.

A notice convening a special general meeting of Huajun Holdings Limited to be held at the Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong at 3:00 p.m. on Wednesday, 20 December 2017 is set out on pages 60 to 62 of this circular. A form of proxy for use at the special general meeting is enclosed.

Whether or not you are able to attend the special general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 May 2017 in relation to the Disposals
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CHG”	China Huajun Group Limited (formerly known as Huajun International Limited), a company incorporated in the BVI, a substantial shareholder of the Company, which was indirectly owned by Mr. Meng and Madam Bao as to 97.0% and 3.0%, respectively
“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
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposals”	the LYC Disposal and the ZLM Disposal
“Equity Transfer Agreements”	LYC Equity Transfer Agreement and ZLM Equity Transfer Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Huajun Group”	Huajun Holdings Group Limited (華君控股集團有限公司), a company established in the PRC, a substantial shareholder of the Company, which was indirectly owned by Mr. Meng and Madam Bao as to 97.5% and 2.5%, respectively
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely, Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping, established to consider the terms of the Equity Transfer Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Disposals are fair and reasonable and in the interest of the Company and the Shareholders as a whole
“Independent Financial Adviser” or “IFA”	INCU Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposals
“Independent Shareholders”	Shareholders, other than Mr. Meng and his associates (as defined under the Listing Rules and including CHG and Jian Xing), independent of and who have no interest in the Equity Transfer Agreements and the transactions contemplated thereunder
“Independent Third Party(ies)”	person(s) or company(ies) which is or are independent of and not connected with any of the connected persons (as defined under the Listing Rules) of the Company and any of its subsidiaries or any of their respective associates
“Jian Xing”	Jian Xing International Group Limited, a company incorporated in Hong Kong with limited liability, which is indirectly wholly owned by Mr. Meng
“Latest Practicable Date”	27 November 2017, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LYC”	遼寧銀珠化紡集團有限公司 (Liaoning Yin Zhu Chemtex Group Co. Limited), a company established in the PRC with limited liability
“LYC Disposal”	the disposal of 49% equity interests in LYC pursuant to the LYC Equity Transfer Agreement
“LYC Equity Transfer Agreement”	equity transfer agreement dated 23 May 2017 and entered into between the LYC Vendor and the Purchaser, pursuant to which the LYC Vendor has agreed to sell, and the Purchaser has agreed to purchase, 49% equity interests in LYC for a consideration of RMB75,000,000
“LYC Group”	LYC and its subsidiaries including 遼寧春成銀珠熱電有限公司 (Liaoning Chun Cheng Yin Zhu Re Dian Company Limited) and 營口銀珠煤炭經銷有限公司 (Yingkou Yin Zhu Mei Tan Jin Xiao Company Limited), both of which are companies established in the PRC with limited liability
“LYC Vendor”	華君工業裝備(營口)有限公司 (Huajun Industrial Equipment (Yingkou) Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Madam Bao”	Madam Bao Le (鮑樂), the spouse of Mr. Meng, who indirectly owns 2.5% of the issued share capital of Huajun Group
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder of the Company, who indirectly owns 97.0% of the issued share capital of CHG, 100% of the issued share capital of Jian Xing and 97.5% of the issued share capital of Huajun Group
“PRC”	the People’s Republic of China, which for the purposes of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“PRC GAAP”	Generally Accepted Accounting Principles adopted in the PRC
“Purchaser”	Liaoning Huajun Equipment Manufacturing Limited (遼寧華君裝備製造有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Huajun Group
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on 20 December 2017 to consider and, if thought fit, approve the Equity Transfer Agreements and the transactions contemplated thereunder
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“ZLM”	浙江臨海機械有限公司 (Zhejiang Linhai Machinery Limited), a company established in the PRC with limited liability
“ZLM Disposal”	the disposal of the entire equity interests in ZLM pursuant to the ZLM Equity Transfer Agreement
“ZLM Equity Transfer Agreement”	equity transfer agreement dated 23 May 2017 and entered into between the ZLM Vendor and the Purchaser, pursuant to which the ZLM Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interests in ZLM for a consideration of RMB190,000,000
“ZLM Vendor”	Huajun Industrial Equipment Group Limited (華君工業裝備集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent.



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*)

Independent Non-Executive Directors:

Mr. Zheng Bailin
Mr. Shen Ruolei
Mr. Pun Chi Ping

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*

36/F., Champion Tower
3 Garden Road
Central
Hong Kong

29 November 2017

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE DISPOSALS OF EQUITY INTERESTS IN
LIAONING YINZHU CHEMTEX GROUP CO. LIMITED AND
ZHEJIANG LINHAI MACHINERY LIMITED**

INTRODUCTION

Reference is made to the Announcement made by the Company dated 23 May 2017 in relation to, among others, the Disposals.

On 23 May 2017 (after trading hours of the Stock Exchange), (a) the LYC Vendor, an indirect wholly-owned subsidiary of the Company, entered into the LYC Equity Transfer Agreement with the Purchaser, a direct wholly-owned subsidiary of Huajun Group, pursuant to which the LYC Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 49% equity interests in LYC for a consideration of RMB75,000,000; and (b) the ZLM Vendor, an indirect wholly-owned subsidiary of the

* *For identification purposes only*

LETTER FROM THE BOARD

Company, entered into the ZLM Equity Transfer Agreement with the Purchaser, a direct wholly-owned subsidiary of Huajun Group, pursuant to which the ZLM Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests in ZLM for a consideration of RMB190,000,000.

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the Latest Practicable Date, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Therefore, each of the Disposals constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the Disposals exceed 5% and the consideration is more than HK\$10,000,000, each of the Disposals constitutes a non-exempt connected transaction for the Company and is subject to reporting, announcement, circular (including the advices from the Independent Financial Adviser and the Independent Board Committee) and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Mr. Meng and his associates are required to abstain from voting on the resolution(s) in respect of the Disposals at the SGM. At the Board meeting, Mr. Meng had abstained from voting on the relevant resolutions in approving the Equity Transfer Agreements and the transaction contemplated thereunder.

The purpose of this circular is to provide you with, among other things, further details of the Disposals, and other information as required under the Listing Rules.

EQUITY TRANSFER AGREEMENTS

(A) LYC Equity Transfer Agreement

The following sets forth the principal terms of the LYC Equity Transfer Agreement:

Date : 23 May 2017

Parties : (1) Vendor: 華君工業裝備(營口)有限公司 (Huajun Industrial Equipment (Yingkou) Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

(2) Purchaser: 遼寧華君裝備製造有限公司 (Liaoning Huajun Equipment Manufacturing Limited), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Huajun Group.

LETTER FROM THE BOARD

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the Latest Practicable Date, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

Assets to be disposed of

Pursuant to the LYC Equity Transfer Agreement, the LYC Vendor has agreed to sell, and the Purchaser has agreed to purchase, 49% equity interests in 遼寧銀珠化紡集團有限公司 (Liaoning Yinzhu Chemtex Group Co. Limited), a company established in the PRC with limited liability.

As disclosed in the announcements of the Company dated 26 May 2015 and 2 June 2015, respectively, the acquisition of LYC Group by the Company at the cost of RMB70,000,000 was completed on 2 June 2015. The Company has not invested any additional funds or capital into LYC Group after the acquisition. As at the Latest Practicable date, the Company's interests in LYC Group have been accounted as investment in associate.

Consideration

The consideration of RMB75,000,000 will be paid by the Purchaser in cash within 10 business days after the subject equity interests are registered in the name of the Purchaser and fulfilment of conditions precedent. In assessing the fairness and reasonableness of the consideration for the LYC Disposal, the Company has engaged an independent valuer to assess the value of the properties, plants and equipment of LYC Group as at 31 March 2017. Based on the valuation result, the reassessed net asset value of LYC Group amounted to approximately RMB159,399,000. The consideration for the LYC Disposal represented a discount of approximately RMB3,100,000 or 4.0% over the reassessed net asset value of LYC Group attributable to the Group. Such reassessed net asset value was not taken into account in determining the consideration for the LYC Disposal. Despite the fact that the consideration is at a discount of 4.0% over the reassessed net asset value of LYC Group, the Board considers the consideration is fair and reasonable in view of the unpromising prospect and disappointing profitability of the LYC Group.

Basis of determination of the consideration

The consideration was determined by the Purchaser and the LYC Vendor with references to the (i) original acquisition cost of LYC incurred by the Group which amounted to RMB70,000,000; and (ii) the unaudited net asset value of LYC of RMB149,880,000 as at 31 March 2017.

LETTER FROM THE BOARD

Conditions precedent

The conditions precedents to the completion of the LYC Equity Transfer Agreement include the following:

- (a) the passing by the Independent Shareholders at the SGM of ordinary resolutions by way of poll approving the LYC Equity Transfer Agreement and transactions contemplated thereunder;
- (b) the LYC Vendor is the legal and beneficial owner of 49% equity interests in LYC and that such interests are free from any encumbrances or third party rights;
- (c) there shall not be any material adverse change in the businesses, assets, properties, financial status, operations or prospects of LYC Group prior to completion;
- (d) the LYC Vendor having obtained all necessary consents, authorisations and approvals for entering into the LYC Equity Transfer Agreement and carrying out the transactions contemplated thereunder;
- (e) the declarations, warranties and undertakings given by the LYC Vendor are true and accurate in all material respects.

Save for items (a) and (b) above, the conditions precedent set out in the LYC Equity Transfer Agreement are waivable by the Purchaser and the LYC Vendor.

As at the Latest Practicable Date, save for item (a) above, all other conditions set out in the LYC Equity Transfer Agreement have been fulfilled.

Completion

Completion is subject to the conditions precedents having been fulfilled and is expected to take place no later than 31 December 2017 (or such later date as may be agreed by the parties).

Upon completion of the LYC Equity Transfer Agreement, the Company will cease to have any interest in LYC Group.

LETTER FROM THE BOARD

(B) ZLM Equity Transfer Agreement

The following sets forth the principal terms of the ZLM Equity Transfer Agreement:

Date : 23 May 2017

Parties : (1) Vendor: Huajun Industrial Equipment Group Limited (華君工業裝備集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company, as vendor.

(2) Purchaser: 遼寧華君裝備製造有限公司 (Liaoning Huajun Equipment Manufacturing Limited), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Huajun Group.

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the Latest Practicable Date, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

Assets to be disposed of

Pursuant to the ZLM Equity Transfer Agreement, the ZLM Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interests in 浙江臨海機械有限公司 (Zhejiang Linhai Machinery Limited), a company established in the PRC with limited liability.

As disclosed in the announcements of the Company dated 26 May 2015 and 3 August 2015, respectively, the acquisition of ZLM by the Company at the cost of RMB187,523,000 was completed on 3 August 2015. The Company has not invested any additional funds or capital into ZLM after the acquisition.

Consideration

The consideration of RMB190,000,000 will be paid by the Purchaser in cash within 10 business days after the subject equity interests are registered in the name of the Purchaser and fulfilment of conditions precedent. In assessing the fairness and reasonableness of the consideration for the ZLM Disposal, the Company has engaged an independent valuer to assess the value of the properties, plants and equipment of ZLM as at 31 March 2017. Based on the valuation result, the reassessed net asset value of ZLM amounted to RMB109,574,000. The consideration for the ZLM Disposal represented a premium of approximately RMB80,425,000 or 73.4% over the reassessed net asset value of ZLM. Such reassessed net asset value was not taken into account in determining the consideration for the ZLM Disposal.

LETTER FROM THE BOARD

Basis of determination of the consideration

The consideration of RMB190,000,000 was determined by the Purchaser and the ZLM Vendor with references to the (i) original acquisition cost of ZLM incurred by the Group which amounted to RMB187,523,000; and (ii) the unaudited net asset value of ZLM of approximately RMB76,663,000 as at 31 March 2017.

Conditions precedent

The conditions precedent to the completion of the ZLM Equity Transfer Agreement include the following:

- (a) the passing by the Independent Shareholders at the SGM of ordinary resolutions by way of poll approving the ZLM Equity Transfer Agreement and transactions contemplated thereunder;
- (b) the ZLM Vendor is the legal and beneficial owner of the entire equity interests in ZLM and that such interests are free from any encumbrances or third party rights;
- (c) there shall not be any material adverse change in the businesses, assets, properties, financial status, operations or prospects of ZLM prior to completion;
- (d) the ZLM Vendor having obtained all necessary consents, authorisations and approvals for entering into the ZLM Equity Transfer Agreement and carrying out the transactions contemplated thereunder;
- (e) the declarations, warranties and undertakings given by the ZLM Vendor are true and accurate in all material respects.

Save for items (a) and (b) above, the conditions precedent set out in the ZLM Equity Transfer Agreement are waivable by the Purchaser and the ZLM Vendor.

As at the Latest Practicable Date, save for item (a) above, all other conditions set out in the ZLM Equity Transfer Agreement have been fulfilled.

Completion

Completion is subject to the conditions precedents having been fulfilled and is expected to take place no later than 31 December 2017 (or such later date as may be agreed by the parties).

Upon completion of the ZLM Equity Transfer Agreement, ZLM will become an indirect wholly-owned subsidiary of Huajun Group through the Purchaser and ZLM will cease to be an indirect wholly-owned subsidiary of the Company.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The principal activities of the Group are: (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) trading and logistics; (iii) finance lease; (iv) provision of finance; (v) property development and investments; (vi) securities investments; (vii) manufacturing and sales of industrial equipment; and (viii) manufacturing and sales of photovoltaic products.

INFORMATION ON THE PURCHASER

As at the Latest Practicable Date, the Purchaser is a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Huajun Group, which in turn is owned as to 97.5% by Mr. Meng and 2.5% by Madam Bao. The principal activities of the Purchaser are sales of industrial products.

INFORMATION ON THE TARGET COMPANIES

(a) LYC

LYC is a company established in the PRC with limited liability which is owned as to 49% by the Company.

As at the Latest Practicable Date, LYC directly owns 98% equity interests in 遼寧春成銀珠熱電有限公司 (Liaoning Chun Cheng Yin Zhu Re Dian Company Limited) and 95% equity interests in 營口銀珠煤炭經銷有限公司 (Yingkou Yin Zhu Mei Tan Jin Xiao Company Limited), both of which are companies established in the PRC with limited liability. The principal activities of LYC Group are manufacturing and trading of nylon textile fibers, supply of thermal electricity and distribution of coal in the PRC. As at the Latest Practicable Date, LYC is owned as to 49% by the Company through the LYC Vendor.

(b) ZLM

ZLM is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company.

The principal activities of ZLM are the production and sale of turbines, transformers, torque correctors and related products. As at the Latest Practicable Date, ZLM is an indirect wholly-owned subsidiary of the Company through the ZLM Vendor.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE TARGET COMPANIES

The unaudited combined financial information of LYC Group, prepared under PRC GAAP for the two years ended 31 December 2016, is summarised as follows (for illustration purposes only):

	For the year ended 31 December 2015 (RMB'000) (unaudited)	For the year ended 31 December 2016 (RMB'000) (unaudited)
Revenue	263,065	280,817
Net profit before taxation	842	6,358
Net profit after taxation	842	6,358
Net assets	143,342	149,700

The unaudited management accounts of ZLM, prepared under PRC GAAP for the two years ended 31 December 2016, are summarised as follows (for illustration purposes only):

	For the year ended 31 December 2015 (RMB'000)	For the year ended 31 December 2016 (RMB'000)
Revenue	43,864	32,662
Net loss before taxation	6,814	7,073
Net loss after taxation	6,814	7,073
Net assets	85,953	78,880

FINANCIAL IMPACT OF THE LYC DISPOSAL ON THE GROUP

It is expected that the Group will recognise a gain in its consolidated income statement of approximately RMB1,300,000 arising from the LYC Disposal, which is calculated as the excess of the consideration of the LYC Disposal of RMB75,000,000 over (i) the carrying amount of the Group's interests in LYC Group (as investment in associate) as at 31 March 2017 of approximately RMB73,400,000; and (ii) other expenses attributable to the LYC Disposal of approximately RMB300,000. The actual amount of gain arising from the LYC Disposal to be recognised by the Group will be subject to final audit by the Company's auditors.

LETTER FROM THE BOARD

Based on the audited consolidated financial statement of the Group as at 31 March 2017, assuming the completion of the LYC Disposal took place on 31 March 2017, it is estimated that, as a result of the LYC Disposal, the consolidated net assets of the Group would have increased by approximately RMB1,300,000, the profit of the Group for the year ended 31 March 2017 would have increased by approximately RMB1,300,000, and the consolidated total liabilities of the Group would remain unchanged.

FINANCIAL IMPACT OF THE ZLM DISPOSAL ON THE GROUP

It is expected that the Group will recognise a gain in its consolidated income statement of approximately RMB14,700,000 arising from the ZLM Disposal, which is calculated as the excess of the consideration of the ZLM Disposal of RMB190,000,000 over (i) the carrying amount of the net assets of ZLM included in the consolidated financial statements of Company as at 31 March 2017 prepared in accordance with Hong Kong Financial Reporting Standards of approximately RMB117,800,000; (ii) the goodwill attributable to ZLM as at 31 March 2017 of approximately RMB57,200,000; and (iii) other expense attributable to the disposal of approximately RMB300,000. The actual amount of gain arising from the ZLM Disposal to be recognised by the Group will be subject to final audit by the Company's auditors.

Based on the audited consolidated financial statement of the Group as at 31 March 2017, assuming the completion of the ZLM Disposal took place on 31 March 2017, it is estimated that, as a result of the ZLM Disposal, the consolidated total assets of the Group would have decreased by approximately RMB256,900,000, the profit of the Group for the year ended 31 March 2017 would have increased by approximately RMB14,700,000, and the consolidated total liabilities of the Group would have decreased by approximately RMB271,600,000.

USE OF PROCEEDS

The Directors expect that the net proceeds from the Disposals (after deducting the expenses directly attributable thereto) will be approximately RMB264,545,000. The Board intends to use (i) approximately RMB10,000,000 for future potential investment opportunities, such as acquisitions in relation to trading and logistics business; and (ii) approximately RMB254,545,000 for general working capital, of which approximately RMB200,000,000 will be used for property development and investment business comprising construction costs of investment properties of approximately RMB190,000,000 and administrative costs of approximately RMB10,000,000 and RMB54,545,000 will be used for repayment of borrowings of the Group, comprising a loan in the principal amount of RMB75,000,000 drawn down on 19 May 2017 with an interest rate of 7.13% per annum. The outstanding principal and accrued interest of such loan as at 31 October 2017 are RMB75,000,000 and approximately RMB147,000, respectively. As at the Latest Practicable Date, the Company has not identified any potential acquisition target.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE DISPOSALS

The Board considers that the disposal of LYC, which is a non-core business of the Group, will enhance the Group's focus on other business segments with faster return while the disposal of ZLM can reduce the Group's loss-making exposure in the segment of manufacturing and sales of industrial equipment.

LYC Group

The Company acquired 49% equity interests in LYC in 2015. LYC group is principally engaged in manufacturing and trading of nylon textile fibers, supply of thermal electricity and distribution of coal in the PRC. The Group recorded gross profit margins of approximately 16.32% and 14.40% for the two years ended 31 March 2016 and 31 March 2017, respectively. Considering the financial performance of the LYC Group for the two years ended 31 December 2015 and 2016, gross loss of approximately RMB81,000 was noted for 31 December 2015 and gross profit of approximately RMB800,000 or 0.28% was noted for the year ended 31 December 2016. It is noted that the gross profit margins of the Group's core businesses are considerably higher than that of LYC Group's. Although there was turnaround effect in LYC's financial performance for the year ended 31 December 2016, the Board considers that the financial performance of LYC Group was below the Board's expectation and the principal businesses of the LYC Group have not been as profitable as expected. In addition, since the acquisition of 49% equity interests in LYC by the Company, LYC has not declared any dividend and there has not been any cash inflow to the Group since then. Although the net profit before taxation of the LYC Group, as shown in the section headed "Financial Information of the Target Companies", has shown an increase from approximately RMB842,000 for the year ended 31 December 2015 to approximately RMB6,358,000 for the year ended 31 December 2016, such increase was mainly attributable to the increase in other income from approximately RMB1,600,000 for the year ended 31 December 2015 to approximately RMB5,600,000 for the year ended 31 December 2016 as a result of the increase in government subsidies which is one-off in nature received by LYC Group in rewarding of its research and developments projects for the improvement of electricity generation system and construction of environmentally friendly facilities for the year ended 31 December 2016. For illustrative purposes, if setting aside the effect of the one-off other income, the LYC Group would record net profit before taxation of approximately RMB758,000 for the year ended 31 December 2016, which was similar to that for the financial year ended 31 December 2015.

LETTER FROM THE BOARD

ZLM

The Company acquired ZLM in 2015 and started the business of production of turbines and torque converters, with an aim to diversify its business to a realm with potential growth opportunity. Given the net loss recorded by ZLM for both financial years ended 31 December 2015 and 2016, the performance of the LYC Group deviated from the Company's expectation.

Based on the factors set out above, the Board considers that the Disposals are (i) a quick exit which could allow the Group to realise a favourable return, given the loss-making record of ZLM and that the consideration of the LYC Disposal being at a premium to the original acquisition cost of LYC by the Group; and (ii) a step taken by the Company to be more focused on other more profitable core businesses of the Group, including the solar photovoltaic business, trading and logistics business and printing business, which accounted for approximately 41.4%, 35.4% and 16.4% of the total revenue of the Group for the year ended 31 March 2017, respectively, thereby improving the liquidity and overall financial position of the Group.

Accordingly, the Board, having considered the above, is of the view that each of the Disposals (including the consideration) is fair and reasonable and on normal commercial terms and, notwithstanding the possible disadvantage of causing a reduction in diversity of the Group's business and source of income, the entering into of each of the Equity Transfer Agreements is in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Mr. Meng is the chairman, an executive Director and substantial shareholder of the Company. As at the Latest Practicable Date, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Therefore, each of the Disposals constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for the Disposals exceed 5% and the consideration is more than HK\$10,000,000, each of the Disposals constitutes a non-exempt connected transaction for the Company and is subject to reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Mr. Meng and his associates are required to abstain from voting on the resolution(s) in respect of the Disposals at the SGM.

Mr. Meng and his associates (including CHG and Jian Xing) shall abstain from voting at the SGM in respect of the resolutions approving the Equity Transfer Agreements and the transactions contemplated thereunder. As at the Latest Practicable Date, Mr. Meng and his associates own the Shares as follows:

- (i) Mr. Meng personally holds 383,853,513 Shares representing approximately 6.33% of the issued share capital of the Company;
- (ii) CHG holds 4,067,444,500 Shares representing approximately 67.04% of the issued share capital of the Company; and

LETTER FROM THE BOARD

- (iii) Jian Xing holds 53,571,429 Shares representing approximately 0.88% of the issued share capital of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Mr. Meng, CHG and Jian Xing, no other Director or Shareholder has a material interest in the Equity Transfer Agreements. Accordingly, apart from Mr. Meng, CHG, Jian Xing and their respective associates, no other Shareholder is required to abstain from voting at the SGM in respect of the resolutions relating to the Equity Transfer Agreements and the transactions contemplated thereunder. At the Board meeting, Mr. Meng had abstained from voting on the relevant resolutions in approving the Equity Transfer Agreements and the transactions contemplated thereunder.

Furthermore, as the relevant applicable ratios for the Disposals are more than 5% but less than 25%, the Disposals constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

The 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 Equity Transfer Agreements and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the Disposals are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

SGM

A notice convening the SGM to be held at the Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong on Wednesday, 20 December 2017 at 3:00 p.m. is set out on pages 60 to 62 of this circular for the purposes of considering and, if thought fit, passing the ordinary resolutions in relation to the Disposals.

A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the EGM, please complete the form of proxy in accordance with the instructions printed thereon and deposit it to the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time fixed for holding of the SGM or adjourned meeting. The lodging of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you 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 resolutions to be proposed at the SGM in accordance with the memorandum of association and 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.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, CHG, Jian Xing, 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 Equity Transfer Agreements and the transactions contemplated thereunder at the SGM.

RECOMMENDATIONS

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 Equity Transfer Agreements are on normal commercial terms, in the ordinary and usual course of business of the Company and fair and reasonable and the Disposals are in the interest 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 Equity Transfer Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee set out on page 18 of this circular; and (2) the letter of advice from the Independent Financial Adviser set out on pages 19 to 48 of this circular, which contains among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreements and the transactions contemplated thereunder and the principal factors considered by it in arriving at its recommendation.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

As each of the Disposals is subject to the fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

The English text of this circular shall prevail over the Chinese text for the purposes of interpretation.

Yours faithfully,
By order of the Board
Huajun Holdings Limited
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., Champion Tower
3 Garden Road
Central
Hong Kong

29 November 2017

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO THE DISPOSALS OF EQUITY INTERESTS IN
LIAONING YINZHU CHEMTEX GROUP CO. LIMITED AND
ZHEJIANG LINHAI MACHINERY LIMITED**

We refer to the circular dated 29 November 2017 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of Equity Transfer Agreements and the transactions contemplated thereunder. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Equity Transfer Agreements and the transactions contemplated thereunder, after taking into account solely the advice of the Independent Financial Adviser as set out from pages 19 to 48 of the Circular, are on normal commercial terms and in the ordinary course of business of the Company, and fair and reasonable so far as the Independent Shareholders are concerned, and that the Disposals are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder.

Mr. Zheng Bailin

Yours faithfully,
Independent Board Committee

Mr. Shen Ruolei

Mr. Pun Chi Ping

Independent non-executive Directors

* For identification purposes only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from INCU Corporate Finance Limited, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in relation to the Equity Transfer Agreements and the transactions contemplated thereunder.



INCUCO Corporate Finance Limited
Unit 1701, 17/F, Wings Building,
110-116 Queen's Road Central,
Central, Hong Kong

29 November 2017

To: *The Independent Board Committee and
the Independent Shareholders of
Huajun Holdings Limited*

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSALS OF EQUITY INTERESTS IN LIAONING YINZHU CHEMTEX GROUP CO. LIMITED AND ZHEJIANG LINHAI MACHINERY LIMITED

(1) INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreements and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 29 November 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular, unless the context requires otherwise.

Reference is made to the announcement of the Company dated 23 May 2017 in relation to the Disposals. On 23 May 2017 (after trading hours of the Stock Exchange), (a) the LYC Vendor, an indirect wholly-owned subsidiary of the Company, entered into the LYC Equity Transfer Agreement with the Purchaser, a direct wholly-owned subsidiary of Huajun Group, pursuant to which the LYC Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 49% equity interests in LYC for a consideration of RMB75.0 million; and (b) the ZLM Vendor, an indirect wholly-owned subsidiary of the Company, entered into the ZLM Equity Transfer Agreement with the Purchaser, pursuant to which the ZLM Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire equity interests in ZLM for a consideration of RMB190.0 million. Upon completion, the Company will cease to have any interest in ZLM and LYC Group. ZLM will cease to be an indirect wholly-owned subsidiary of the Company and the LYC Group will cease to be an associate of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Meng is the chairman, the executive Director and a substantial shareholder (as defined in the Listing Rules) of the Company. As at the Latest Practicable Date, Mr. Meng indirectly owns 97.5% of the issued share capital of the Purchaser. Therefore, the Purchaser is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Therefore, each of the Disposals constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios for each of the Disposals exceed 5% and the consideration is more than HK\$10,000,000, each of the Disposals constitutes a non-exempt connected transaction for the Company and is subject to reporting, announcement, circular (including the advices from the Independent Financial Adviser and the Independent Board Committee) and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Furthermore, as the relevant applicable ratios for the Disposals are more than 5% but less than 25%, the Disposals constitute discloseable transactions for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement under the Listing Rules.

Mr. Meng and his associates (including CHG and Jian Xing) shall abstain from voting at the SGM in respect of the resolutions approving the Equity Transfer Agreements and the transactions contemplated thereunder. As at the Latest Practicable Date, the Purchaser does not own any Shares while Mr. Meng and his associates own the Shares as follows:

- (i) Mr. Meng personally holds 383,853,513 Shares representing approximately 6.33% of the issued share capital of the Company;
- (ii) CHG holds 4,067,444,500 Shares representing approximately 67.04% of the issued share capital of the Company; and
- (iii) Jian Xing holds 53,571,429 Shares representing approximately 0.88% of the issued share capital of the Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as Mr. Meng, HIL and Jian Xing, no other Director or Shareholder has a material interest in the Equity Transfer Agreements. Accordingly, apart from Mr. Meng, CHG and Jian Xing, no other Shareholder is required to abstain from voting at the SGM in respect of the resolutions relating to the Equity Transfer Agreements and the transactions contemplated thereunder.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping, to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreements and the transactions contemplated thereunder.

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Equity Transfer Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, we are not connected with the Directors, chief executives and substantial shareholders of the Company or CHG and Mr. Meng or any of their respective associates. We are not aware of any relationships or interest between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser in respect of the Equity Transfer Agreements and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. During the past two years, we have been appointed as the independent financial adviser (the “**Previous Engagements**”) to the Company in respect of the connected transaction in relation to the issue of convertible bonds under specific mandate (the “**Issue**”) and major and connected transaction in relation to the acquisition of all issued share capital of Hua Tai Jun An International Development Limited (the “**Acquisition**”) with details set out in the circulars of the Company dated 11 March 2016 and 28 February 2017 respectively. We considered that the Previous Engagements did not affect our independence as the Independent Financial Adviser to the Disposals, since the Previous Engagements merely involved the provision of opinion to the independent board committee and independent shareholder in relation to the Issue and the Acquisition, we did not give any advice or opinion to the Company on planning and/or structuring any corporate action outside the scope of the Issue and the Acquisition. Accordingly, we consider that we are considered eligible to give independent advice on the Equity Transfer Agreements and the transactions contemplated thereunder.

(2) BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Equity Transfer Agreements, the valuation reports and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Group and the valuer with respect to the terms of and the reasons for the Disposals, we have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group, the Vendors, the Purchaser, LYC Group and ZLM nor have we carried out any independent verification of the information supplied.

(3) PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Equity Transfer Agreements and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

I. Background and financial performance of the Group

Information of the Group

The principal business activity of the Company is investment holding. The Group is principally engaged in the business of (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products (the “**Printing Business**”); (ii) trading and logistics (the “**Trading and Logistics Business**”); (iii) finance lease; (iv) provision of finance; (v) property development and investments (the “**Property Business**”); (vi) securities investments; (vii) manufacturing and sales of industrial equipment; and (viii) manufacturing and sales of photovoltaic products (the “**Solar Photovoltaic Business**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Historical financial information of the Group

Set out below are the audited consolidated financial results of the Group for the two years ended 31 March 2016 (“FY2016”) and 31 March 2017 (“FY2017”) as extracted from the annual report of the Company for the year ended 31 March 2017 (“2017 Annual Report”):

	FY2016	FY2017
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
	(Restated)	
	<i>(Note)</i>	
Revenue	1,374,919	3,313,992
Gross profit	224,431	477,310
Profit before tax	26,223	134,548
Income tax expenses	(50,712)	(91,147)
Profit/(loss) for the year	(24,489)	43,401
Profit for the year attributable to Shareholders of the Company	27,090	22,717
Profit/(loss) for the year attributable to non-controlling interests	(51,579)	20,684
Gross profit margin	16.32%	14.40%
	As at	As at
	31 March 2016	31 March 2017
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
	(Restated)	
	<i>(Note)</i>	
Non-current assets	2,141,531	6,981,296
Current assets	3,125,388	4,690,893
Non-current liabilities	387,728	3,283,050
Current liabilities	1,903,865	4,863,292
Equity attributable to Shareholders of the Company	2,864,230	3,391,920

Note: As disclosed in the 2017 Annual Report, the Company’s functional currency is HK\$. The consolidated financial statements in the prior financial period was presented in HK\$. During FY2017, the Directors of the Company considered that the change in the presentation currency could reduce the impact of any fluctuations in the exchange rate of HK\$ against RMB on the consolidated financial statements of the Group, enabling the shareholders of the Company to have a more accurate picture of the Group’s financial performance. The change in presentation currency of the Company has been applied retrospectively in accordance with HKAS 8 Accounting Policies, Change in Accounting Estimates, and Errors, and the comparative figures as at 1 April 2015 and 31 March 2016 and for FY2016 have been retranslated to RMB and restated accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(a) *Financial performance in FY2017 and FY2016*

As disclosed in the 2017 Annual Report, revenue of the Group was approximately RMB3,314.0 million in FY2017, representing an increase of approximately RMB1,939.1 million, or 141.0%, compared to revenue of approximately RMB1,374.9 million in FY2016. The overall increase in revenue was attributable to the growth in sale of the Solar Photovoltaic Business, development of the Trading and Logistics Business in particular the sales of larger spectrum of oil and chemical products and the growth of sales of electronics parts and devices in FY2017.

Gross profit margin was approximately 14.4% for FY2017, representing a decrease of approximately 11.7% from 16.3% in FY2016. Such decrease was mainly due to the decrease in revenue contributed from the Printing Business of approximately 39.1% in 2016 to 16.4% in 2017 whereas the Printing Business has relatively higher gross profit margin compared to the other businesses including but not limited to (i) the Trading and Logistics Business; and (ii) the Property Business.

Profit before tax was approximately RMB26.2 million and RMB134.5 million in FY2016 and FY2017 respectively. Such increase was mainly attributable to the combined effect of (i) change of fair value of investment properties of RMB196.3 million in FY2017; (ii) decrease in finance costs of approximately RMB105.6 million, or 48.9% from approximately RMB216.1 million in FY2016 to approximately RMB110.5 million in FY2017; which was partially offset by (iii) increase in administrative expenses of approximately RMB121.8 million, or 64.9% from prior year due to an increase in staff costs as a result of granting share options and increased management staff; (iv) increase in selling and distribution expenses of approximately RMB40.9 million, or 93.4% from prior year, along with the increase in revenue; and (v) decrease in other gains and losses from other income of approximately RMB11.6 million in FY2016 to other losses of approximately RMB50.6 million as a result of expenses incurred for financial guarantee and change in fair value of held for trade investments in FY2017.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial positions of the Group

As stated in the 2017 Annual Report, the Group recorded equity attributable to Shareholders of the Company of approximately RMB3,391.9 million as at 31 March 2017.

As at 31 March 2017, the non-current assets of the Group amounted to approximately RMB6,981.3 million, mainly comprised investment properties of approximately RMB4,706.2 million, property, plant and equipment of approximately RMB1,048.9 million, deposits for acquisitions of RMB500.0 million and available-for-sale investments of approximately RMB\$232.2 million, while the current assets of the Group amounted to approximately RMB4,690.9 million, mainly comprised properties for sale of approximately RMB1,120.5 million, trade and other receivables of approximately RMB938.5 million, loan receivables and interest receivables of approximately RMB888.8 million, pledged bank deposits of approximately RMB879.9 million, inventories of approximately RMB391.8 million and bank balances and cash of approximately RMB172.7 million.

As at 31 March 2017, the current liabilities of the Group amounted to approximately RMB4,863.3 million, mainly comprised bill payables of approximately RMB2,375.4 million, borrowings of approximately RMB1,425.4 million and trade and other payables of approximately RMB932.7 million, while the non-current liabilities of the Group amounted to approximately RMB3,283.1 million, mainly represented borrowings of RMB1,695.0 million, amount due to immediate holding company of approximately RMB999.3 million, convertible bonds of approximately RMB278.9 million, and corporate bonds of approximately RMB243.2 million.

As at 31 March 2017, the gearing ratio of the Group, which was computed by dividing total interest-bearing borrowings by total assets, increased from approximately 25.2% as at 31 March 2016 to 31.0% as at 31 March 2017. The increase was mainly attributable to the increase of interest-bearing loans from approximately RMB1,324.8 million as at 31 March 2016 to RMB3,120.4 million as at 31 March 2017.

II. The Disposals

Information of the Purchaser

As disclosed in the Letter from the Board, the Purchaser is a company established in the PRC with limited liability, which is a wholly-owned subsidiary of Huajun Group, which in turn is owned as to 97.5% by Mr. Meng and 2.5% by Madam Bao. The principal activities of the Purchaser are sales of industrial products.

Information of the Target Companies

ZLM

As disclosed in the announcements of the Company dated 26 May 2015 and 3 August 2015, 100% equity interest of ZLM was acquired by the Company on 3 August 2015 at a consideration of approximately RMB192.2 million after taking into consideration of an independent valuation for the assets held by ZLM as at 30 April 2014. The consideration was adjusted downward by approximately RMB4.6 million with referenced to the net asset values of ZLM at completion.

ZLM is a company established in the PRC with limited liability and its principal activities are the production and sale of turbines, transformers, torque correctors and related products. As at the Latest Practicable Date, ZLM is an indirect wholly-owned subsidiary of the Company through the ZLM Vendor. Upon completion of the disposal, the Group will cease to have any interests in ZLM and ZLM will cease to be an indirect wholly-owned subsidiary of the Company.

LYC Group

As disclosed in the announcements of the Company dated 26 May 2015 and 2 June 2015, 49% equity interest of LYC was acquired by the Company on 2 June 2015 at a consideration of RMB70.0 million after taking into consideration the unaudited financial information of LYC Group as at 31 December 2014.

LYC is a company established in the PRC with limited liability and LYC Group is principally engaged in manufacturing and trading of nylon textile fibers, supply of thermal electricity and distribution of coal in the PRC. As at the Latest Practicable Date, LYC is owned as to 49% by the Company through the LYC Vendor. Upon completion of the disposal, the Company will cease to have any interest in LYC Group.

As at the Latest Practicable Date, LYC directly owns 98% equity interests in Liaoning Chun Cheng Yin Zhu Re Dian Company Limited* (遼寧春成銀珠熱電有限公司) and 95% equity interests in Yingkou Yin Zhu Mei Tan Jin Xiao Company Limited* (營口銀珠煤炭經銷有限公司), both of which are companies established in the PRC with limited liability.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial information of LYC Group

Set out below is the summary of the unaudited consolidated financial information of LYC Group for the two years ended 31 December 2015 and 2016 as extracted from unaudited consolidated management accounts of the LYC Group prepared under PRC GAAP:

	For the year ended 31 December 2015	For the year ended 31 December 2016
	(unaudited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>approximately</i>	<i>approximately</i>
Revenue	263,065	280,817
Gross profit/(loss)	(81)	800
Net profit before taxation	842	6,358
Net profit after taxation	842	6,358
Net assets	143,342	149,700
Gross profit margin	N/A	0.28%

As stated in the Letter from the Board, revenue of LYC Group for the two years ended 31 December 2015 and 2016 was approximately RMB263.1 million and RMB280.8 million respectively. The increase in revenue was mainly attributable to the increase in revenue from manufacturing and trading of nylon textile fibers and distribution of coal segment due to increasing customer demand. Net profits before taxation of LYC Group for the two years ended 31 December 2015 and 2016 were approximately RMB0.8 million and RMB6.4 million respectively. The increase was mainly attributable to the increase in other income from approximately RMB1.6 million for the year ended 31 December 2015 to approximately RMB5.6 million for the year ended 31 December 2016 as a result of the increase in one-off government subsidies received by LYC Group in rewarding of its research and developments projects for the improvement of electricity generation system and construction of environmentally friendly facilities for the year ended 31 December 2016.

For illustrative purpose, set aside the effect of one-off exceptional other income, LYC Group would record net profit before taxation of approximately RMB0.8 million for the year ended 31 December 2016, which was similar to that in the financial year ended 31 December 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial information of ZLM

Set out below is the unaudited financial information of ZLM for the two years ended 31 December 2015 and 2016 as extracted from its unaudited management accounts prepared in accordance with PRC GAAP:

	For the year ended 31 December 2015 (unaudited) RMB'000 <i>approximately</i>	For the year ended 31 December 2016 (unaudited) RMB'000 <i>approximately</i>
Revenue	43,864	32,662
Net loss before taxation	6,814	7,073
Net loss after taxation	6,814	7,073
Net assets	85,953	78,880

As stated in the Letter from the Board, revenue of ZLM for the two years ended 31 December 2015 and 2016 was approximately RMB43.9 million and RMB32.7 million respectively. The decrease in revenue was mainly attributable to the decrease in demand from customers and fierce market competition. Net losses of ZLM for the two years ended 31 December 2015 and 2016 were approximately RMB6.8 million and RMB7.1 million respectively. Such increase was mainly attributable to the decrease in revenue from the operation while fixed cost such as depreciation, finance cost and staff costs incurred for its production did not decrease on a similar magnitude during the year.

III. Reasons for and benefits of the Disposals and use of proceeds

As stated in the Letter from the Board, the Board considers that the disposal of LYC Group, which is a non-core business of the Group, will enhance the Group's focus on other business segments while the disposal of ZLM can reduce the Group's loss-making exposure in the segment of manufacturing and sales of industrial equipment.

LYC Group

The Company acquired 49% equity interests in LYC in 2015. LYC group is principally engaged in manufacturing and trading of nylon textile fibers, supply of thermal electricity and distribution of coal in the PRC. The Group recorded gross profit margins of approximately 16.32% and 14.40% for the two years ended 31 March 2016 and 31 March 2017, respectively. Considering the financial performance of the LYC Group for the two years ended 31 December 2015 and 2016, gross loss of approximately RMB0.1 million was recorded for year ended 31 December 2015 and gross profit of approximately RMB0.8 million or gross profit margin of approximately 0.28% was recorded for the year ended 31 December 2016. It is noted that the gross profit margins of the Group's core businesses are considerably higher than that of LYC Group. Although there was turnaround effect in LYC's financial performance for the year ended 31 December 2016, the Board considers that the financial performance of LYC Group was below the Board's expectation and the principal businesses of LYC Group have not been as profitable as expected. In addition, since the acquisition of 49% equity interests in LYC by the Company, LYC has not declared any dividend and there has not been any cash inflow to the Group since then.

Although the net profit before taxation of LYC Group, as shown in the section headed "Financial Information of LYC Group", has shown an increase from approximately RMB0.8 million for the year ended 31 December 2015 to approximately RMB6.4 million for the year ended 31 December 2016, such increase was mainly attributable to the increase in other income from approximately RMB1.6 million for the year ended 31 December 2015 to approximately RMB5.6 million for the year ended 31 December 2016 as a result of the increase in one-off government subsidies received by LYC Group in rewarding of its research and developments projects for the improvement of electricity generation system and construction of environmentally friendly facilities for the year ended 31 December 2016. For illustrative purposes, if setting aside the effect of the one-off other income, the LYC Group would record net profit before taxation of approximately RMB0.8 million for the year ended 31 December 2016, which was similar to that for the financial year ended 31 December 2015.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, as disclosed in the 2017 Annual Report, the total revenue of the Group for FY2017 was approximately RMB3,314.0 million, of which approximately 41.4%, 35.4%, 16.4% and 6.8% was contributed by the Solar Photovoltaic Business, the Trading and Logistics Business, the Printing Business and other segments respectively. As discussed with the management of the Group, the Board considers that the manufacturing and trading of nylon textile fibers, supply of thermal electricity and distribution of coal in the PRC (i.e. LYC Group) shared limited synergy with the rest of the principal businesses of the Group. Furthermore, as disclosed under the section “Financial information of LYC Group” and “Historical financial information of the Group” above, the gross profit margins of the Group were considerably higher than those of LYC Group during respective period under review. Given it is the intention of the Company to use part of the net proceeds from the Disposals for investment in its core business and repayment of debts, it is expected that the liquidity and overall financial position of the Group will be improved.

The one-off gain on the disposal of equity interests in LYC is expected to be approximately RMB1.3 million (before taxation payable in relation to the disposal), which has been calculated with reference to (i) the consideration of RMB75.0 million; (ii) the carrying amount of the interests in the associates (LYC Group) as at 31 March 2017 of approximately RMB73.4 million; and (iii) other expenses attributable to the disposal of approximately RMB0.3 million.

ZLM

The Company acquired ZLM in 2015 and started the business of production of turbines and torque converters, with an aim to diversify its business to a realm with potential growth opportunity. Given the net loss recorded by ZLM for both financial years ended 31 December 2015 and 2016, the performance of the ZLM Group deviated from the Company’s expectation.

In order to get a better grasp of the industrial equipment market in the PRC, we have conducted our own desktop research. With reference to the “the Opinion about accelerating supply side reformation from Zhejiang Province Government*” (浙江省人民政府關於加快供給側結構性改革的意見) (“**The Opinion**”) published by the Zhejiang Province Government in March 2016, in order to address the industrial overcapacity problem, certain policy and measures would be carried out to promote the structural change of the manufacturing and sales of industrial equipment market. Under the constant influence of structural adjustment of various domestic industries, shrinking investments and de-capacity, we consider that The Opinion may create further uncertainties to the industrial equipment industry.

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The one-off total gain from the disposal (before taxation payable in relation to the disposal) is expected to be approximately RMB14.7 million, which has been calculated with reference to (i) the consideration of RMB190.0 million; (ii) the carrying amount of the net assets of ZLM as at 31 March 2017 of approximately RMB117.8 million; (iii) goodwill attributable to ZLM as at 31 March 2017 of approximately RMB57.2 million; and (iv) other expenses attributable to the disposal of approximately RMB0.3 million.

Use of proceeds

As stated in the Letter from the Board, the Directors expects that the net proceeds from the Disposals (after deducting the expenses directly attributable thereto) will be approximately RMB264.0 million. The Board intends to use (i) approximately RMB10.0 million for future potential investment opportunities, such as acquisitions in relation to Trading and Logistics business; and (ii) approximately RMB254.6 million for general working capital, of which approximately RMB200.0 million will be used for property development and investment business comprising construction costs of investment properties of approximately RMB190.0 million and administrative costs of approximately RMB10.0 million and approximately RMB54.6 million will be used for repayment of borrowings of the Group, comprising a loan in the principal amount of RMB75.0 million drawn down on 19 May 2017 with an interest rate of 7.13% per annum. The outstanding principal and accrued interest of such loan as at 31 October 2017 was RMB75.0 million and approximately RMB0.1 million. As at the Latest Practicable Date, the Company has not identified any potential acquisition target.

Having considered the above, including but not limited to (i) limited synergy effect between LYC Group and the Group; (ii) the thin gross profit margin as generated from LYC Group in its latest financial year; (iii) uncertainties of industry that ZLM engages in; (iv) the deteriorating financial performance of ZLM in the latest two financial year, (v) the proceeds from the Disposals will be used to invest in the Group's core businesses, of which the investment return are considered higher than that of the LYC Group and ZLM; (vi) repayment of debts would improve the liquidity of the Group; and (vii) additional interest burden will be avoided as the short-term debts of the Group will be repaid by the assigned proceeds from the Disposals and the Group's internal resources, instead of being re-financed by new borrowings, we concur with the view of the Directors and consider that the Disposals will improve the liquidity and overall financial position of the Group and each of the Disposals is fair and reasonable and on normal commercial terms and that the entering into of each of the Equity Transfer Agreements is in the interests of the Company and the Shareholders as a whole.

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IV. Principal terms of the Equity Transfer Agreements

Set out below is the summary of the principal terms of each of the ZLM Equity Transfer Agreement and the LYC Equity Transfer Agreement:

(a) *Date of the Equity Transfer Agreements*

23 May 2017

(b) *Parties and subject matters of the Equity Transfer Agreements*

	The ZLM Equity Transfer Agreement	The LYC Equity Transfer Agreement
Vendor	Huajun Industrial Equipment Group Limited* (華君工業裝備集團有限公司)	Huajun Industrial Equipment (Yingkou) Limited* (華君工業裝備(營口)有限公司)
Purchaser	Liaoning Huajun Equipment Manufacturing Limited* (遼寧華君裝備製造有限公司)	Liaoning Huajun Equipment Manufacturing Limited* (遼寧華君裝備製造有限公司)
Target company	ZLM	LYC
Sale shares	100% equity interests in ZLM	49% equity interests in LYC
Consideration	RMB190,000,000, of which will be paid by the Purchaser in cash within 10 business days after the subject equity interests are registered in the name of the Purchaser and fulfillment of conditions precedent (the “ZLM Consideration”)	RMB75,000,000, of which will be paid by the Purchaser in cash within 10 business days after the subject equity interests are registered in the name of the Purchaser and fulfillment of conditions precedent (the “LYC Consideration”)

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Evaluations of the considerations for the Disposals

We have considered various valuation approaches in assessing the fairness and reasonableness of the LYC Consideration and ZLM Consideration. There are three commonly adopted valuation methodologies in assessing the value of a business, being (i) the income approach; (ii) the asset-based approach; and (iii) the market approach. Income approach is not adopted as it would involve making assumptions which are subject to high level of uncertainties; and the asset-based approach is not adopted because it would not capture the earning potentials. In respect of the market approach, we have considered (i) price-to-earnings ratios (the “P/E” ratio) and (ii) price-to-book ratios (the “P/B” ratio), which are two of the most widely used benchmarks for valuation of companies. P/E ratio is commonly used to value a company based on its current share price relative to its per-share earnings while P/B ratio is used to compare a company’s stock market value to its book value. Therefore, we have chosen these benchmarks to value LYC Group and ZLM and to compare with the comparable companies because they reflect the companies earning ability and net asset value in relation to their share price and to compare with the LYC Group and ZLM’s implied multiples.

LYC Consideration

As disclosed in the Letter from the Board, the consideration was determined by the Purchaser and the LYC Vendor with reference to (i) original acquisition cost of LYC Group incurred by the Group which amounted to RMB70.0 million; and (ii) the unaudited net asset value of LYC Group approximately of RMB149.9 million as at 31 March 2017.

Based on the unaudited consolidated financial information of LYC Group for the year ended 31 December 2016, it is noted that approximately 60%, 20% and 20% of the revenue was contributed by (i) the trading of nylon textile fibers segment; (ii) supply of thermal electricity segment; and (iii) distribution of coal segment respectively.

In assessing the fairness and reasonableness of the LYC Consideration, we compared the price-to-earnings ratios and price-to-book, of those companies (i) listed on the Stock Exchange; (ii) with principal activities of manufacturing and trading of nylon textile fibers, supply of thermal electricity and distribution of coal in the PRC; and (iii) with the majority of turnover and segment profit derived from such principal activities in the latest financial year. In view of the unique business mix of LYC Group, we have attempted but are unable to identify any company which is engaged in all of the three segments as mentioned-above and hence no direct comparable is identified based on the abovementioned selection criteria.

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In view of the above, we have therefore revised the selection criteria to identify comparable companies which are (i) listed on the Stock Exchange; (ii) engaged in any one of the business segments which LYC Group engaged in, namely (a) manufacturing and trading of raw materials for producing clothing and (b) supply of thermal electricity and (c) trading of coal in the PRC; and (iii) at least 75% of their revenue generated from either of the abovementioned businesses in their respective latest financial year. Based on these criteria, we have identified an exhaustive list of a total of 11 companies listed on the Stock Exchange (the “**LYC Comparable Companies**”), 6 out of which relate to manufacturing and trading of raw materials for producing clothing business, 4 out of which relate to supply of thermal electricity and the remaining one relates to coal trading business in the PRC. Independent Shareholders should note that the business, scale of operation, trading prospect, target market, business mix, cost structure and capital structure of the LYC Group are not exactly the same as those of the LYC Comparable Companies and we have not conducted in-depth investigation into business and operations of the LYC Comparable Companies save for the aforesaid selection criteria. While the LYC Comparable Companies may not have identical business mix as the LYC Group to constitute direct comparison, we consider that, based on the selection criteria we have adopted, they represent a fair and representative selection of companies that can be useful comparables to the Company for the purposes of this analysis on the grounds that (i) the LYC Comparable Companies and the Group are in general affected by similar macroeconomic factors including but not limited to, the economy in the PRC, the government policies/regulations on production of manufacturing and trading of raw materials for producing clothing (“**Clothing Comparables**”) and/or supply of thermal electricity (“**Thermal Electricity Comparables**”) and/or trading of coal industry (“**Coal Comparable**”) in the PRC; and (ii) the sources of revenue are either mainly or solely generated from business similar to that of LYC Group in the PRC. Set out below is the list of the market comparables together with their respective P/E ratios and P/B ratios.

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Clothing Comparables

Stock code	Company name	Principal business	Market capitalisation HK\$ (million) <i>(Note 1)</i>	P/E ratio <i>(Note 2)</i>	P/B ratio <i>(Note 3)</i>
528	Kingdom Holdings Ltd.	Manufacture and sale of linen yarns	654	8.28	0.52
1400	Wang Tai Holdings Ltd	Design, manufacturing and sales of fabrics and yarns in the PRC	283	N/A <i>(Note 4)</i>	0.43
2123	Golden Shield Holdings (Industrial) Ltd	Production and sale of cotton yarn and grey fabric, trading of raw materials for textile products	<i>(Note 5)</i>	<i>(Note 5)</i>	<i>(Note 5)</i>
3608	Yongsheng Advanced Materials Co. Ltd.	Developing and manufacturing of polyester filament yarns, provision of dyeing services of differentiated polyester filament fabric, trading of polyester filament yarns and production of 3D printing materials in PRC	719	7.64	1.15
3778	China Weaving Materials Holdings Ltd (“China Weaving”)	Manufacturing and trading of polyester yarns, polyester-cotton blended yarns, cotton yarns and cotton	636	36.00	1.04
8211	Zhejiang Yongan Rongtong Holdings Co., Ltd. – H Shares	Research and development, manufacture and sale of woven fabrics	151	N/A <i>(Note 4)</i>	0.41
			Average	17.31	0.71
			Median	8.28	0.52
			Maximum	36.00	1.15
			Minimum	7.64	0.41
	LYC Group			24.07 <i>(Note 6)</i>	1.02 <i>(Note 7)</i>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Thermal Electricity Comparables

Stock code	Company name	Principal business	Market capitalisation HK\$ (million) <i>(Note 1)</i>	P/E ratio <i>(Note 2)</i>	P/B ratio <i>(Note 3)</i>
90	Amber Energy Limited	Development, operation and management of power plants fuelled by natural gas in the PRC	532	10.72	0.89
816	Huadian Fuxin Energy Corporation Ltd. - H Shares	Generation and sale of hydropower, wind power, coal-fired power, solar power, natural gas-fired power and other clean power in the PRC	4,734	1.97	0.17
1381	Canvest Environmental Protection Group Co. Ltd. (" Canvest Environmental ")	Provision of municipal solid waste handling services and operation and management of waste-to-energy plants	10,494	26.23	2.36
1816	CGN Power Co., Ltd. - H Shares	Operate and manage nuclear power stations, sell electricity generated by these stations, manage and oversee the construction of nuclear power stations and provide related technical research and development and support services	26,168	3.02	0.24
			Average	10.48	0.91
			Median	6.87	0.56
			Maximum	26.23	2.36
			Minimum	1.97	0.17
	LYC Group			24.07 <i>(Note 6)</i>	1.02 <i>(Note 7)</i>

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Coal Comparable

Stock code	Company name	Principal business	Market capitalisation HK\$ (million) <i>(Note 1)</i>	P/E ratio <i>(Note 2)</i>	P/B ratio <i>(Note 3)</i>
645	Ares Asia Ltd.	Coal trading	477	469.72 <i>(Note 8)</i>	5.42
			Average	469.72	5.42
			Median	469.72	5.42
			Maximum	469.72	5.42
			Minimum	469.72	5.42
	LYC Group			24.07 <i>(Note 6)</i>	1.02 <i>(Note 7)</i>

Source: *website of the Stock Exchange (www.hkex.com.hk)*

Notes:

1. The market capitalisation is calculated based on the share price and number of issued shares of the respective companies 16 May 2017 to 19 May 2017 and 22 May 2017, being the five trading days prior to the date of the Equity Transfer Agreements.
2. The P/E ratios of the comparable companies are calculated based on their respective market capitalisation divided by the audited net profit attributable to shareholders as disclosed in their respective latest published annual reports.
3. The P/B ratios of the comparable companies are calculated based on their respective market capitalisation divided by the consolidated net assets attributable to equity shareholders as disclosed in their respective latest published annual reports or interim reports.
4. P/E ratio is not applicable given that the company is loss making during its latest financial year.
5. This company has been excluded from our calculation of maximum, minimum, median and average for analysis purpose as trading of its shares has been suspended with effect from 9:00 a.m. on 1 April 2014 and hence we consider its P/E ratio and P/B ratio cannot reflect latest market condition.
6. The implied P/E ratio of the LYC Group is approximately 24.07 times, which is calculated as the LYC Consideration of RMB75,000,000 divided by 49% of the net profit after taxation of LYC Group attributable to the Company of approximately RMB3,115,000 based on the unaudited financial information of LYC Group for the year ended 31 December 2016.
7. The implied P/B ratio of the LYC Group is approximately 1.02 times, which is calculated as the LYC Consideration of RMB75,000,000 divided by the net asset value of LYC Group attributable to the Company of RMB73,441,000 based on the unaudited consolidated financial information of LYC Group as at 31 March 2017.
8. This company has been excluded from our calculation of maximum, minimum, median and average for analysis purpose as we consider its P/E ratio is abnormally high and not representative for our analysis.

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As illustrated in the tables above, the P/E ratios of the Clothing Comparables ranged from approximately 7.64 times to approximately 36.00 times, with an average of approximately 17.31 times and a median of 8.28 times. The P/E ratios of the Thermal Electricity Comparables ranged from approximately 1.97 times to approximately 26.23 times, with an average of approximately 10.48 times and a median of 6.87 times. We note that the P/E ratios of the Clothing Comparables and Thermal Electricity Comparables are in a wide range, it is because one of the companies from each of the Clothing Comparables and Thermal Electricity Comparables has relatively extreme P/E ratios comparing to the rest of the comparable companies (i.e. China Weaving has P/E ratios of approximately 36.00 times and Canvest Environmental has P/E ratios of approximately 26.23 times). Excluding such outlying P/E ratios, the adjusted mean of the P/E ratios of the Clothing Comparables and Thermal Electricity Comparables would be approximately 7.96 times and 5.23 times respectively and the adjusted median of the P/E ratios of the Clothing Comparables and Thermal Electricity Comparables would be approximately 7.96 times and 3.02 times respectively. The implied P/E ratio of the LYC Group, based on the LYC Consideration, of approximately 24.07 times is significantly higher than the average and the median (both adjusted and non-adjusted) of the P/E ratios of the Clothing Comparables and the Thermal Electricity Comparables.

As illustrated in the tables above, the P/B ratios of the Clothing Comparable Companies ranged from approximately 0.41 times to approximately 1.15 times, with an average of approximately 0.71 times and a median of 0.52 times. The P/B ratios of the Thermal Electricity Comparables ranged from approximately 0.17 times to approximately 2.36 times, with an average of approximately 0.91 times and a median of 0.56 times. The implied P/B ratio of the LYC Group, based on the LYC Consideration, of approximately 1.02 times is higher than the average and the median of the P/B ratios of the Clothing Comparables and the Thermal Electricity Comparables.

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In relation to the Coal Comparable, we have attempted to identify comparable companies according to the criteria set out above with no mining right as LYC Group only engages in trading of coal in the PRC. We have only identified 1 sample based on the criteria and it is noted that the Coal Comparable represented an abnormally high P/E ratio of approximately 469.72 times. (It is noted from the latest annual report that the company recorded thin profit of approximately HK\$0.1 million) Having taken into account (i) the thin profit and anomalous high P/E ratio of the Coal Comparable; and (ii) the limited sample size of Coal Comparable, it may not draw a fair and representative conclusion, we consider the inclusion of the sample may lead to bias in our analysis and thus, we have excluded the Coal Comparable from our P/E and P/B analysis.

In addition, we have also reviewed the internal management assessment prepared by the management of the Company as an additional work done in assessing the fairness and reasonableness of the LYC Consideration. As advised by the Directors, in assessing the reassessed net asset value of the LYC Group, the Company has engaged an independent valuer (the “Valuer”) to assess the value of the property, plant and equipment of LYC Group as at 31 March 2017, based on the valuation result, the reassessed net asset value of LYC Group amounted to approximately RMB159.4 million. The LYC Group Consideration represented a discount of approximately RMB3.1 million or 4.0% over the reassessed net asset value attributable to the Group.

For our due diligence purpose, we have reviewed and enquired into (i) the methodology used and principal bases and assumptions adopted in the valuation result; (ii) the underlying calculations of the valuation result and the information of the comparable property, plant and equipment (including unit prices) adopted by the Valuer; and (iii) the selection criteria of comparable property, plant and equipment adopted in the valuation result. During our discussion with the Valuer, we have not found any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the valuation.

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Based on the discussion with the management of the Company and the Valuer regarding the methodology and the principal basis and assumptions adopted for the internal assessment and understand that the Valuer has adopted a combination of market and asset-based approach to appraise the fair value of the property, plant and equipment of LYC Group as at 31 March 2017. In assessing the independence of the Valuer, we interviewed the relevant staff of the Valuer and make inquiry on any current or prior relationship between the Valuer and the Group, the Vendor and their core connected persons. The Valuer confirmed that it is independent of and not connected with the Group, the LYC Vendor, ZLM Vendor, LYC Group, ZLM, the Purchaser and their respective associates. In addition, we have reviewed the Valuer's engagement letter including their scope of work. Based on the review and the interview, we are satisfied with the terms of the engagement of the Valuer and its qualification and experience for preparation of the valuation report.

Based on the internal assessment, we consider that the valuation approaches adopted are common valuation methodologies in appraising such company and the basis and assumptions adopted by the management for LYC Group are fair and reasonable.

ZLM Consideration

As disclosed in the Letter from the Board, the consideration of RMB190.0 million was determined by the Purchaser and the ZLM Vendor with reference to (i) original acquisition cost of ZLM incurred by the Group which amounted to approximately RMB187.5 million; and (ii) the unaudited net asset value of ZLM of approximately RMB76.7 million as at 31 March 2017.

We did not adopt the P/E ratio in our analysis because ZLM was loss-making in the most recent financial year and thus we consider that P/E ratio analysis is not applicable. Consequently, we have conducted analysis on the P/B ratio of ZLM with the market peers.

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We have attempted to identify the comparable companies which are (i) listed on the Stock Exchange and (ii) principally engaged in production and sale of turbines, transformers, torque correctors and related products in the PRC, being the principal businesses of ZLM. However, due to the unique business nature of ZLM, we are not able to identify any direct comparable to the ZLM based on the above-mentioned selection criterias.

In view of the above, we have therefore revised the selection criteria for those comparable companies which (i) are listed on the Stock Exchange; (ii) principally engaged in developing, production and/or sale of industrial equipment in the PRC; (iii) has at least 75% of their revenue generated from the above-mentioned business in their respective latest financial year; and (iv) has a market capitalisation of not more than HK\$1,000 million. Based on these criterias, we have identified an exhaustive list of a total of 7 companies listed on the Stock Exchange (the “**ZLM Comparable Companies**”). Independent Shareholders should note that the business, scale of operation, trading prospect, target market, business mix, cost structure and capital structure of ZLM are not exactly the same as those of the ZLM Comparable Companies and we have not conducted in-depth investigation into business and operations of the ZLM Comparable Companies save for the aforesaid selection criteria. While the ZLM Comparable Companies may not have identical business mix as ZLM to constitute direct comparison, we consider that, based on the selection criteria we have adopted, they represent a fair and representative selection of companies that can be useful comparables to the Company for the purposes of this analysis on the grounds that (i) the ZLM Comparable Companies and ZLM are in general affected by similar macroeconomic factors including but not limited to, the economy in the PRC, the outlook of production of industrial equipment industry in the PRC and government policies/regulations on production of industrial equipment industry in the PRC; (ii) the business natures of the ZLM Comparable Companies and ZLM are capital intensive as large sums of investment in purchase, maintenance, and depreciation of capital equipment are required; and (iii) similar to ZLM, their sources of revenue are either mainly or solely generated from business similar to that of the ZLM in the PRC. Details of our analysis are set out below:

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Stock code	Company name	Principal business	Market capitalisation HK\$ (million) <i>(Note 1)</i>	P/B ratio <i>(Note 2)</i>
300	Shenji Group Kunming Machine Tool Co. Ltd. – H Shares	Development, design, production and sales of machine tool series products and accessories, sensor and turbo tables and turbo machine and sintering fans series products and accessories	N/A <i>(Note 3)</i>	N/A <i>(Note 3)</i>
558	L.K. Technology Holdings Ltd.	Design, manufacture and sales of hot chamber and cold chamber die-casting machines, plastic injection moulding machines, computerised numerical controlled maching centre and related accessories	728	0.42
679	Asia Tele-Net And Technology Corporation Ltd.	Design, manufacturing and sale of custom-built electroplating equipment, sale of spare parts of electroplating machinery and provision of repairs and maintenance services	484	0.41
840	Xinjiang Tianye Water Saving Irrigation System Co Ltd – H Shares	Design, manufacturing and sales of drip films, PVC/PE pipelines and drip assemblies used in agricultural water saving irrigation system, provision of installation services of water saving irrigation system for its customers	137	0.17

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Stock code	Company name	Principal business	Market capitalisation HK\$ (million) <i>(Note 1)</i>	P/B ratio <i>(Note 2)</i>
1289	Wuxi Sunlit Science and Technology Co. Ltd. – H Shares	Research and development, design, manufacture, equipment supply, installation, testing, repair and maintenance of production lines for manufacturing steel wire products	96	0.14
1301	D&G Technology Holding Co. Ltd.	Research and development, design, manufacturing and sale of asphalt mixing plants and provide one-stop customised solutions to customers in the PRC and abroad	619	0.50
3628	RENHENG Enterprise Holdings Ltd	Manufacture and sale of tobacco machinery products	537	4.95
			Average	1.10
			Median	0.41
			Maximum	4.95
			Minimum	0.14
	ZLM			2.48 <i>(Note 4)</i>

Source: website of the Stock Exchange (www.hkex.com.hk)

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Notes:

1. The market capitalisation is calculated based on the share price and number of issued shares of the respective companies from 16 May 2017 to 19 May 2017 and 22 May 2017, being the five trading days prior to the date of the Equity Transfer Agreements.
2. The P/B ratios of the comparable companies are calculated based on their respective market capitalisation divided by the consolidated net assets attributable to equity shareholders as disclosed in their respective latest published annual reports or interim reports.
3. This company has been excluded from our calculation of maximum, minimum, median and average for analysis purpose as trading of its shares has been suspended with effect from 9:00 a.m. on 3 April 2017 and hence we consider its P/B ratio cannot reflect latest market condition.
4. The implied P/B ratio of the ZLM is approximately 2.48 times, which is calculated as the consideration of RMB190,000,000 divided by the net asset value of ZLM of approximately RMB76,663,000 based on the unaudited management accounts of the ZLM as at 31 March 2017.

As illustrated in the tables above, the P/B ratios of the ZLM Comparable Companies ranged from approximately 0.14 times to approximately 4.95 times, with an average of approximately 1.10 times and a median of 0.41 times. The implied P/B ratio of ZLM, based on the ZLM Consideration, of approximately 2.48 times is higher than the average and the median of the P/B ratios of the ZLM Comparable Companies.

In addition, we have also reviewed the internal management assessment prepared by the management of the Company as an additional work done in assessing the fairness and reasonableness of the ZLM Consideration. As advised by the Directors, in assessing the reassessed net asset value of ZLM, the Company has engaged the Valuer to assess the value of the property, plant and equipment of ZLM as at 31 March 2017, based on the valuation result, the reassessed net asset value of ZLM amounted to approximately RMB109.6 million. The ZLM Consideration represented a premium of approximately RMB80.4 million or 73.4% over the reassessed net asset value.

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For our due diligence purpose, we have reviewed and enquired into (i) the methodology used and principal bases and assumptions adopted in the valuation result; (ii) the underlying calculations of the valuation result and the information of the comparable property, plant and equipment (including unit prices) adopted by the Valuer; and (iii) the selection criteria of comparable property, plant and equipment adopted in the valuation result. During our discussion with the Valuer, we have not found any material facts which may lead us to doubt the principal basis and assumptions adopted for or the information used in the valuation.

Based on the discussion with the management and Valuer regarding the methodology and the principal basis and assumptions adopted for the internal assessment, we understand that the Valuer has adopted a combination of market and cost-based approach to appraise the fair value of the property, plant and equipment of ZLM as at 31 March 2017. As stated in the valuation result, the Valuer has adopted comparison method in arriving the value of the property, plant and equipment of ZLM. Comparable properties, plants and equipment of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each properties, plants and equipment in order to arrive at a fair comparison of capital values. The valuation has been made on the assumption that owners sell the properties, plants and equipment on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the properties, plants and equipment.

Based on the internal assessment, we consider that the valuation approaches adopted are common valuation methodologies in appraising such company and the basis and assumptions adopted by the management for ZLM are fair and reasonable.

Conclusion

LYC Group

Although the LYC Consideration represented a discount of approximately RMB3.1 million or 4.0% over the reassessed net asset value attributable to the Group, having considered (i) the implied P/E ratio and implied P/B ratio of the LYC Group is higher than the average P/E and P/B range of the LYC Comparable Companies (excluding Coal Comparable); (ii) thin gross profit margin as generated from the LYC Group; (iii) the company would record a gain on the disposal of approximately RMB1.3 million; and (iv) the disposal will generate cash inflow to the Group and enhance its liquidity and working capital position, we concur with the Directors' view that the LYC Consideration is determined based on normal commercial terms, is fair and reasonable as far as the Independent Shareholders are concerned and in interests of the Company and the Shareholders as a whole.

ZLM

Having considered (i) the implied P/B ratio of the ZLM is higher than the P/B Range of the ZLM Comparable Companies; (ii) the deteriorating financial performance of the ZLM in the latest two financial year; (iii) the company would record a gain on the disposal of approximately RMB14.7 million; (iv) the disposal will generate cash inflow to the Group and enhance its liquidity and working capital position; and (v) the ZLM Consideration provides premium over the results from the internal management assessment, we concur with the Directors view that the Consideration is determined based on normal commercial terms, is fair and reasonable as far as the Independent Shareholders are concerned and in interests of the Company and the Shareholders as a whole.

V. Possible financial effects of the Disposals

Upon completion of the Disposals, the Company will cease to have any interest in LYC Group and ZLM. LYC will cease to be an associate of the Company and ZLM will cease to be an indirectly wholly-owned subsidiary of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net Assets and earnings

LYC Group

Upon completion of the disposal, it is expected that the Group will recognise a gain in its consolidated income statement of approximately RMB1.3 million arising from the LYC Disposal, which is calculated as the excess of the consideration of the LYC Disposal of RMB75.0 million over (i) the carrying amount of the Group's interests in LYC Group (as investment in associate) as at 31 March 2017 of approximately RMB73.4 million; and (ii) other expenses attributable to the LYC Disposal of approximately RMB0.3 million.

Assuming the completion of the LYC Disposal took place on 31 March 2017, it is estimated that, as a result of the LYC Disposal, the consolidated net assets of the Group would have increased by approximately RMB1.3 million, the profit of the Group for the year ended 31 March 2017 would have increased by approximately RMB1.3 million and the consolidated total liabilities of the Group would remain unchanged. The actual amount of gain arising from the disposal to be recognised by the Group will be subject to final audit by the Company's auditors.

ZLM

Upon completion of the disposal, it is expected that the Group will recognise a gain in its consolidated income statement of approximately RMB14.7 million arising from the ZLM Disposal, which is calculated as the excess of the consideration of the ZLM Disposal of RMB190.0 million over (i) the carrying amount of the net assets of ZLM included in the consolidated financial statements of Company as at 31 March 2017 of approximately RMB117.8 million; (ii) the goodwill attributable to ZLM as at 31 March 2017 of approximately RMB57.2 million; and (iii) other expense attributable to the disposal of approximately RMB0.3 million.

Assuming the completion of the ZLM Disposal took place on 31 March 2017, it is estimated that, as a result of the ZLM Disposal, the consolidated total assets of the Group would have decreased by approximately RMB256.9 million the profit of the Group for the year ended 31 March 2017 would have increased by approximately RMB14.7 million, and the consolidated total liabilities of the Group would have decreased by approximately RMB271.6 million. The actual amount of gain arising from the disposal to be recognised by the Group will be subject to final audit by the Company's auditors.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders are reminded that the actual gain or loss on the Disposal may be different from the above and will be determined based on the financial position of the Company on the date of completion and the review by the Company's auditors upon finalisation of the consolidated financial statements of the Group.

Working Capital

It is estimated that the net proceeds from the Disposals after deducting the expenses directly attributable thereto will be approximately RMB264.5 million, which will enhance the Group's cash flow.

The aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position and financial results of the Group will be after completion.

RECOMMENDATION

Having taken into account (i) the reasons for and benefits of the Disposals; (ii) the principal terms of the Equity Transfer Agreements; (iii) the possible positive financial effects of the Disposals, we are of the view that the Equity Transfer Agreements and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned but are not in the ordinary course of business of the Company. Therefore, we consider that the Disposals is in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming SGM to approve the Equity Transfer Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

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 Group. 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 is no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company as at the Latest Practicable Date :

<i>Authorised</i>	<i>HK\$</i>
<u>40,000,000,000</u> Shares	<u>400,000,000</u>

<i>Issued and fully paid</i>	<i>HK\$</i>
<u>6,066,920,085</u> Shares	<u>60,669,200.85</u>

3. 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	383,853,513 (L)	Beneficial owner	6.33%
	4,121,015,929 (L)	Interest in controlled corporation ^(Note 1)	67.93%
	38,735,070	Share options ^(Note 2)	0.64%
Mr. Wu Jiwei	264,000 (L)	Beneficial owner	0.004%
	133,264,500 (L)	Interest in controlled corporation ^(Note 3)	2.20%
	65,121,441	Share options ^(Note 4)	1.07%
Mr. Guo Song	35,400,967 (L)	Share options ^(Note 5)	0.58%
Mr. Zheng Bailin	3,873,500 (L)	Share options ^(Note 6)	0.064%
Mr. Shen Ruolei	3,873,500 (L)	Share options ^(Note 6)	0.064%
Mr. Pun Chi Ping	3,873,500 (L)	Share options ^(Note 6)	0.064%

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

Notes:

- 4,067,444,500 Shares are held by CHG. The entire issued share capital of CHG is beneficially owned by Huajun Real Estate (Gaoyou) Co., Ltd.* (華君置業(高郵)有限公司) which is wholly owned by Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司). Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司) was owned as to 97.0% by Mr. Meng and 3.0% by Madam Bao, respectively. 53,571,429 Shares are held by Jian Xing, which is indirectly wholly owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by CHG and Jian Xing by virtue of the SFO.
- 38,735,070 share options have been granted to Mr. Meng. For further details of the said share options granted, please refer to the announcement of the Company dated 7 February 2017.
- 133,264,500 Shares are beneficially owned by Forest Tree Limited, which in turn was wholly owned by Mr. Wu Jiwei, an executive Director. Mr. Wu Jiwei was deemed to be interested in all 133,264,500 Shares held by Forest Tree Limited by virtue of the SFO.
- 65,121,441 share options have been granted to Mr. Wu Jiwei. For further details of the said share options granted, please refer to the announcements of the Company dated 16 February 2015 and 7 February 2017, respectively.
- 35,400,967 share options have been granted to Mr. Guo Song. For further details of the said share options granted, please refer to the announcements of the Company dated 16 February 2015 and 7 February 2017, respectively.

6. 3,873,500 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 announcements of the Company dated 7 February 2017.

Interests in shares in associated corporations

Associated corporation	Director	Amount of registered capital/ number of shares held in the associated corporation	Capacity	Approximate percentage interest in the capital of the associated corporation
Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司) <i>(Note 7)</i>	Mr. Meng	RMB2,000,000,000	Beneficial owner	97%
Jian Xing International Limited <i>(Note 8)</i>	Mr. Meng	USD 1	Beneficial owner	100%

7. CHG and Huajun Real Estate (Gaoyou) Co., Ltd.* (華君置業(高郵)有限公司) are wholly-owned subsidiaries of Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司).
8. Jian Xing is wholly owned by Jian Xing International Development Limited, which is in turn wholly owned by Jian Xing International Limited.

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.

4. 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 Shareholders	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Madam Bao	4,543,604,512 (L)	Interest held by spouse ^{(Note (a))}	74.89%
CHG	4,067,444,500 (L)	Beneficial owner	67.04%
Huajun Real Estate (Gaoyou) Co., Ltd.* (華君置業(高郵)有限公司)	4,067,444,500 (L)	Interest of controlled corporation ^{(Note (a))}	67.04%
Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司)	4,067,444,500 (L)	Interest of controlled corporation ^{(Note (a))}	67.04%
Mr. Meng	383,853,513 (L)	Beneficial owner	6.33%
	4,121,015,929 (L)	Interest of controlled corporation ^{(Note (a))}	67.93%
	38,735,070	Share options	0.64%

Note:

- (a) 4,067,444,500 Shares are held by CHG. The entire issued share capital of CHG is beneficially owned by Huajun Real Estate (Gaoyou) Co., Ltd.* (華君置業(高郵)有限公司) which is wholly owned by Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司). Huajun Enterprise (Yingkou) Co., Ltd.* (華君實業(營口)有限公司) was owned as to 97.0% by Mr. Meng and 3.0% by Madam Bao, respectively. 53,571,429 Shares are held by Jian Xing, which is indirectly wholly owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by CHG by virtue of the SFO. Madam Bao, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by CHG, Jian Xing and Mr. Meng.

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

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments and, accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

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.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company or their respective close associates (as defined under the Listing Rules) had any interest in other business which competes or is likely to compete with the business of the Group as if each of them were treated as a controlling shareholder of the Company under Rule 8.10 of the Listing Rules.

7. 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 2017, 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.

8. LITIGATION

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

9. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualifications of the expert who has given opinion or advice which are contained in this circular:

INCUCorporate Finance Limited	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposals
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As at the Latest Practicable Date, the above expert has no shareholding in any company in the 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 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 Group since 31 March 2017, 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 Group.

The above expert 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.

10. 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 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 RMB292,900,000;
- (b) 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;

- (c) 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);
- (d) 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;
- (e) 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 at HK\$0.75 each;
- (f) 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 RMB480,000,000;
- (g) the conditional subscription agreement dated 20 January 2016 entered into between the Company and CHG in respect of the subscription of the convertible bonds of an aggregate principal amount of HK\$1,330,000,000;
- (h) the supplemental agreement dated 9 March 2016 entered into between the Company and CHG for the purpose of supplementing and amending the subscription agreement in relation to the subscription of the convertible bonds in an aggregate principal amount of HK\$1,330,000,000 to be issued by the Company;
- (i) the sale and purchase agreement dated 21 March 2016 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), being a wholly-owned subsidiary of the Company, as purchaser, and Mr. Zhang (張旭飛) and Ms. Wang (王兆玲), as vendors in relation to the acquisition of 100% equity interests in and assignment of shareholders' loan of RMB240,000,000 of Yingkou Kunlun Real Estate Company Limited* (營口昆侖房地產有限公司) for a consideration of RMB250,000,000;

- (j) the sale and purchase agreement dated 15 March 2016 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), being a wholly-owned subsidiary of the Company, as vendor, and Dalian Jia He Xiang Trading Co., Ltd.* (大連嘉和祥貿易有限公司), as purchaser in relation to the disposal of 60% of the equity interests in Dalian Bao Xing Da Industrial Co., Ltd.* (大連保興達實業有限公司) for a consideration of RMB80,000,000;
- (k) the subscription agreement dated 30 May 2016 entered into between the Company, as issuer, CCB International Overseas Limited, as subscriber, and Mr. Meng, as guarantor, in relation to the subscription of convertible bonds in an aggregate principal amount of HK\$200,000,000;
- (l) the termination agreement dated 30 June 2016 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), being 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 sale and purchase of the entire equity interests in 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 an aggregate consideration of RMB160,000,000;
- (m) the subscription agreement dated 5 July 2016 entered into between the Company, as issuer, Central China International Investment Company Limited (中州國際投資有限公司), as subscriber, and Mr. Meng Guang Bao, as guarantor, in relation to the subscription of convertible bonds in an aggregate principal amount of HK\$100,000,000;
- (n) the termination agreement dated 8 July 2016 entered into between the Company and Get Nice Securities Limited in relation to the subscription of Shares as mentioned in (e) above;
- (o) the placing agreement dated 8 July 2016 entered into between the Company and Get Nice Securities Limited in relation to the subscription of up to 397,900,000 new Shares at HK\$0.78 each;
- (p) the land use rights grant contract dated 17 August 2016 entered into between Shanghai Baohua Wanlong Real Estates Company Limited* (上海保華萬隆置業有限公司), an indirect wholly-owned subsidiary of the Company as purchaser and Shanghai Minhang District Land Bureau* (上海市閔行區規劃和土地管理局) as vendor in respect of the acquisition of the land use rights of the six pieces of land located at Minhang District, Shanghai, the PRC through the bidding process at the consideration of RMB2,305,000,000;

- (q) the placing agreement dated 17 August 2016 entered into between the Company and PC Securities Limited in relation to the issuance of HK\$157,100,000 6% unlisted corporate bonds due 2019 by the Company and its respective the supplemental placing agreement dated 5 September 2016;
- (r) the guarantee agreement dated 19 October 2016 entered into between the Company, as the guarantor, in favour of Jiangsu branch office of China Cinda Asset Management Co., Ltd.* (中國信達資產管理股份有限公司江蘇省分公司), being a branch office of China Cinda Asset Management Co., Ltd.* (中國信達資產管理股份有限公司) (Stock Code: 1359), as the creditor, in relation to the guarantee for a debt of RMB383,361,362.49 owed by Jiangyin Hareon Solar Energy Electrical Power Co., Ltd.* (江陰海潤太陽能電力有限公司) and Hareon Solar Technology Co., Ltd.* (海潤光伏股份有限公司);
- (s) the counter indemnity dated 19 October 2016 entered into by Hareon Solar Technology Co., Ltd.* (海潤光伏股份有限公司) in favour of the Company for the liabilities and loss which may arise from the guarantee as mentioned in paragraph (r) above;
- (t) the sale and purchase agreement dated 22 December 2016 entered into between Hua Tai Jun An International Limited (華泰君安國際有限公司) as vendor and Go Platinum Holdings Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company as purchaser, in relation to the acquisition of the entire issued share capital of Hua Tai Jun An International Development Limited (華泰君安國際發展有限公司) and the shareholder's loan amounted to RMB1,600,000,000 for a consideration of RMB1,920,000,000;
- (u) the LYC Equity Transfer Agreement dated 23 May 2017;
- (v) the ZLM Equity Transfer Agreement dated 23 May 2017;
- (w) the cooperation agreement dated 20 June 2017 entered into between 深圳市凱福投資實業有限公司 (Shenzhen City Kaifu Investment Enterprise Company Limited*), and three of the Company's wholly-owned subsidiaries, namely, 東莞新洲印刷有限公司 (Dongguan New Island Printing Company Limited*), 東莞宏大地產有限公司 (Dongguan Hongda Properties Company Limited*) and New Island Printing Company Limited (新洲印刷有限公司), in relation to an establishment of joint venture for development of properties;
- (x) the equity transfer agreement dated 7 July 2017 entered into between 深圳市華君融資租賃有限公司 (Shenzhen Huajun Financial Leasing Ltd.*), a non-wholly-owned subsidiary of the Company, as vendor, and 營口華君金控投資有限公司 (Yingkou Huajun Jinkong Investment Company Limited*), as purchaser, in relation to a disposal of 20% equity interests in 遼寧北方金融資產交易中心有限公司 (Liaoning Bei Fang Financial Assets Exchange Co., Ltd.*);

- (y) the sale and purchase agreement dated 28 September 2017 entered into between Huajun Logistics Co. Limited, an indirect wholly-owned subsidiary of the Company, Gather Take Development Limited and On Win Corporation Limited and the subscription agreement dated 28 September 2017 entered into between Candice Group Limited, On Win Corporation Limited, Mr. Ng Yuk Ping and Evergrace Fund Limited, in relation to the disposal and deemed disposal of 22.00% equity interests in aggregate in Candice Group Limited; and
- (z) the subscription agreements dated 20 October 2017 entered into between the Company and Guide Plus Investments Limited and Treasure Capital Finance Limited, respectively in relation to the subscription of redeemable 10% fixed coupon convertible bonds issued by the Company in the aggregate principal amount of HK\$350,000,000.

11. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited financial statements of the Group were made up.

12. 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, Champion Tower, 3 Garden Road, Central, Hong Kong.
- (d) The Hong Kong branch share registrar of the Company is Union Registrars Limited, located at Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King's Road, North Point, Hong Kong.
- (e) In the event of inconsistency, the English text shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 36/F., Champion Tower, 3 Garden Road, Central, Hong Kong on any business day from the date of this circular up to the date which is 14 days after the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts disclosed in the section headed “Material contracts” in this appendix;
- (c) the annual reports of the Company for the three financial years ended 31 December 2014, 31 December 2015 and 31 December 2016, respectively;
- (d) the Equity Transfer Agreements;
- (e) a letter of recommendation dated 29 November 2017 from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 18 of this circular;
- (f) a letter of advice from Independent Financial Adviser dated 29 November 2017 to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 19 to 48 of this circular;
- (g) the written consent referred to in the section headed “Qualifications and consents of experts” in this appendix;
- (h) the circulars of the Company dated 28 April 2016, 31 October 2016, 28 February 2017, 26 July 2017 and 9 October 2017, respectively;
- (i) this circular.

* *For identification purposes only*



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 (“SGM”) of Huajun Holdings Limited (“Company”) will be held at the Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong at 3:00 p.m. on Wednesday, 20 December 2017 for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions:

ORDINARY RESOLUTIONS

“THAT

1. the equity transfer agreement dated 23 May 2017 (“**LYC Equity Transfer Agreement**”) (a copy of which is marked “A” and produced to the SGM and signed by the Chairman of the SGM for identification purposes) and entered into between 華君工業裝備(營口)有限公司 (Huajun Industrial Equipment (Yingkou) Limited) (“**LYC Vendor**”), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company and Liaoning Huajun Equipment Manufacturing Limited (遼寧華君裝備製造有限公司) (“**Purchaser**”), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Huajun Holdings Group Limited (華君控股集團有限公司), pursuant to which the LYC Vendor has agreed to sell, and the Purchaser has agreed to purchase, 49% equity interests in 遼寧銀珠化紡集團有限公司 (Liaoning Yinzhu Chemtex Group Co. Limited), a company established in the PRC with limited Liability, for a consideration of RMB75,000,000, are hereby approved, confirmed and ratified;
2. the execution, delivery and performance by the Company of the LYC Equity Transfer Agreement be and are hereby approved, confirmed and ratified;
3. the equity transfer agreement dated 23 May 2017 (the “**ZLM Equity Transfer Agreement**”) (a copy of which is marked “B” and produced to the SGM and signed by the Chairman of the SGM for identification purposes) and entered into between Huajun Industrial Equipment Group Limited (華君工業裝備集團有限公司) (“**ZLM Vendor**”), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company and the Purchaser, pursuant to which the ZLM Vendor has agreed to sell, and the Purchaser has agreed to purchase, the entire equity interests in 浙江臨海機械有限公司 (Zhejiang Linhai Machinery Limited), a company established in the PRC with limited liability, for a consideration of RMB190,000,000, are hereby approved, confirmed and ratified;

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4. the execution, delivery and performance by the Company of the ZLM Equity Transfer Agreement be and are hereby approved, confirmed and ratified;
5. any Director be and is hereby authorised to do all such acts and things, including but not limited to, to the execution of all such documents under seal where applicable, as he/she may in his/her discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of or giving effect to the LYC Equity Transfer Agreement and the ZLM Equity Transfer Agreement (collectively, the “**Equity Transfer Agreements**”) and the transactions contemplated thereunder, including but not limited to, the exercise or enforcement of any of the Company’s rights under the Equity Transfer Agreements and to make and agree to such variations of the terms of the Equity Transfer Agreements as he/she may consider to be appropriate and in the interest of the Company.

* For identification purposes only

By order of the Board
Huajun Holdings Limited
WU Jiwei
Chief Executive Officer and Executive Director

Hong Kong, 29 November 2017

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 notarially 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 Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King’s Road, North Point, 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.

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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.