THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

HUAJUN INTERNATIONAL GROUP LIMITED
華君國際集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 377)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF (I) THE ENTIRE EQUITY INTERESTS IN BAOHUA REAL ESTATES (WUXI) CO., LTD.*; (II) THE ENTIRE EQUITY INTERESTS IN WUXI HUIYUAN REAL ESTATE CO., LTD*; AND (III) 70% EQUITY INTERESTS IN BAOHUA REAL ESTATES (JIANGYIN) CO., LTD.*

Capitalised terms used on this cover page shall have the same meanings as those set out in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 6 to 24 of this circular.

* *For identification purposes only*

24 September 2018

CONTENTS

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

"Acquisition"	the acquisition of the Target Assets;
"Acquisition Agreements"	(i) Baohua Wuxi Agreement; (ii) Wuxi Huiyuan Agreement; and (iii) Baohua Jiangyin Agreement;
"Aggregate Consideration"	RMB1,883.74 million, being the aggregate consideration under the Acquisition Agreements;
"Announcement"	the announcement of the Company dated 6 March 2018 in relation to the Acquisition;
"associate(s)"	has the meaning ascribed thereto under the Listing Rules;
"Baohua Jiangyin" or "Target Company C"	Baohua Real Estates (Jiangyin) Co., Ltd.* (保華地產(江陰)有限公司) (formerly known as Wuxi Huize Real Estate Co., Ltd.* (無錫惠澤置業有限公司)), a company established in the PRC with limited liability on 22 September 2009 and principally engaged in real estate associated business;
"Baohua Jiangyin Agreement"	the equity transfer agreement dated 6 March 2018 and entered into between the Vendors and the Purchaser in respect of the acquisition of 55% equity interests in Baohua Jiangyin by the Purchaser;
"Baohua Wuxi" or "Target Company A"	Baohua Real Estates (Wuxi) Co., Ltd.* (保華地產(無錫)有限公司) (formerly known as Wuxi Huiling Real Estate Co., Ltd.* (無錫惠靈置業有限公司)), a company established in the PRC with limited liability on 27 December 2011 and principally engaged in real estate associated business;
"Baohua Wuxi Agreement"	the equity transfer agreement dated 6 March 2018 and entered into between the Vendors and the Purchaser in respect of the acquisition of the entire equity interests in Baohua Wuxi by the Purchaser;
"Board"	the board of Directors;

"Business Day(s)"	a day (other than Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks are generally open in Hong Kong for general banking business throughout their normal business hours;
"CHG"	China Huajun Group Limited (formerly known as Huajun International Limited), a company incorporated in the British Virgin Islands and a controlling Shareholder (as defined under the Listing Rules), which was wholly owned by Huajun Group Limited (華君集團有限公司), a company incorporated in Hong Kong with limited liability which was in turn wholly owned by Mr. Meng;
"Company"	Huajun International Group Limited (Stock Code: 377), formerly known as Huajun Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of each of the Acquisition Agreements;
"Completion Date"	6 July 2018
"Director(s)"	director(s) of the Company;
"Enlarged Group"	the Group and the Target Companies;
"Further Acquisition"	the acquisition of 15% of the equity interests in Baohua Jiangyin under the Further Acquisition Agreement;
"Further Acquisition Agreement"	the equity transfer agreement dated 12 June 2018 and entered into between Yixing Zhongtang as vendor and the Purchaser in respect of the acquisition of the Further Acquisition Asset by the Purchaser;

″Further Acquisition Asset″	the 15% equity interests in Baohua Jiangyin to be transferred pursuant to the Further Acquisition Agreement;
"Group"	the Company and its subsidiaries;
"HK$" or "HKD"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"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;
"Independent Valuer" or "AVISTA"	AVISTA Valuation Advisory Limited, an independent property valuer engaged by the Company;
"Jiangsu"	Jiangsu Province of the PRC;
"Latest Practicable Date"	21 September 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
"Mr. Meng"	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a controlling Shareholder (as defined under the Listing Rules);
"Ms. Bao"	Ms. Bao Le (鮑樂), the spouse of Mr. Meng;
"Potential Acquisitions"	the potential acquisition of the entire equity interests in each of six separate companies, each of which is established in the PRC with limited liability and owns and operates photovoltaic power generation projects, which have been completed and connected to the grid for power generation, as announced by the Company on 23 May 2018;

"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;
"Purchaser"	Baohua Real Estate Management (China) Co., Ltd.* (保華置業管理(中國)有限公司), an indirect wholly-owned subsidiary of the Company, which was established in the PRC with limited liability and is principally engaged in real estate associated business;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Shares of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Assets"	(i) the entire equity interests in Baohua Wuxi; (ii) the entire equity interests in Wuxi Huiyuan; and (iii) 55% equity interests in Baohua Jiangyin;
"Target Companies"	(i) Baohua Wuxi; (ii) Wuxi Huiyuan; and (iii) Baohua Jiangyin;
"Vendors"	Wuxi City Investment and Wuxi Real Estate;
"Wuxi City Investment"	Wuxi City Investment and Development Co., Ltd* (無錫市城市投資發展有限公司), a company established in the PRC with limited liability and principally engaged in real estate associated business;
"Wuxi Equity Exchange"	Wuxi Equity Exchange Co., Ltd.* (無錫產權交易所有限公司), an Independent Third Party;
"Wuxi Huiyuan" or "Target Company B"	Wuxi Huiyuan Real Estate Co., Ltd.* (無錫市惠遠置業有限公司), a company established in the PRC with limited liability on 24 May 2007 and principally engaged in real estate associated business;

"Wuxi Huiyuan Agreement"	the equity transfer agreement dated 6 March 2018 and entered into between Wuxi Real Estate and the Purchaser in respect of the acquisition of the entire equity interests in Wuxi Huiyuan by the Purchaser;
"Wuxi Real Estate"	Wuxi Real Estate Development Group Co., Ltd.* (無錫市房地產開發集團有限公司), a company established in the PRC with limited liability and principally engaged in real estate associated business;
"Yingkou Acquisition"	the acquisition of the entire equity interests in Yingkou Yi Hua Green Packaging Printing Company Limited which is engaged in printing business, as announced by the Company on 17 May 2018;
"Yixing Zhongtang"	Yixing Zhongtang Property Co., Ltd* (宜興中堂置業有限公司), a company established in the PRC with limited liability on 19 August 2008 and principally engaged in real estate associated business and an Independent Third Party; and
"%"	per cent.

* *For identification purposes only*

HUAJUN INTERNATIONAL GROUP LIMITED
華君國際集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 377)

Executive Directors:
Mr. Meng Guang Bao
Ms. Zhang Ye
Mr. Guo Song
Mr. He Shufen
Mr. Zeng Hongbo

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

24 September 2018

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF (I) THE ENTIRE EQUITY INTERESTS IN BAOHUA REAL ESTATES (WUXI) CO., LTD.*; (II) THE ENTIRE EQUITY INTERESTS IN WUXI HUIYUAN REAL ESTATE CO., LTD*; AND (III) 70% EQUITY INTERESTS IN BAOHUA REAL ESTATES (JIANGYIN) CO., LTD.*

INTRODUCTION

References are made to the Announcements made by the Company dated 6 March 2018 and 6 July 2018, respectively, in relation to, among others, the Acquisition.

On 6 March 2018 (after trading hours), the Purchaser (an indirect wholly-owned subsidiary of the Company):

(a) entered into the Baohua Wuxi Agreement with the Vendors, pursuant to which the Purchaser has agreed to acquire, and the Vendors have agreed to sell, the entire equity interests in Baohua Wuxi for a total consideration of RMB1,311.29 million (comprising equity transfer price of RMB548.72 million and debt of RMB762.57 million) and RMB37 million being the shareholder loan interest;

(b) entered into the Wuxi Huiyuan Agreement with Wuxi Real Estate, pursuant to which the Purchaser has agreed to acquire, and Wuxi Real Estate has agreed to sell, the entire equity interests in Wuxi Huiyuan for a consideration of RMB291.95 million (comprising equity transfer price of RMB90.69 million and debt of RMB201.26 million) and RMB9 million being the shareholder loan interest. In addition, the Purchaser has agreed to repay the bank loan of RMB55 million guaranteed by Wuxi Real Estate for Wuxi Huiyuan; and

(c) entered into the Baohua Jiangyin Agreement with the Vendors, pursuant to which the Purchaser has agreed to acquire, and the Vendors have agreed to sell, 55% equity interests in Baohua Jiangyin for a consideration of RMB280.50 million (comprising equity transfer price of RMB1 and debt of RMB280.50 million). In addition, the Purchaser has agreed to repay the additional shareholder loan which amounted to RMB64 million and the loans from a related company which amounted to RMB103.57 million.

The transactions contemplated under each of the Acquisition Agreements form part of a composite transaction, i.e. the Acquisition. Pursuant to the terms of the Acquisition Agreements, the Target Assets are to be transferred to the Purchaser concurrently.

On 12 June 2018 (after trading hours), the Purchaser entered into the Further Acquisition Agreement with Yixing Zhongtang, pursuant to which the Purchaser has agreed to acquire, and Yixing Zhongtang has agreed to sell, the Further Acquisition Asset for a consideration of RMB76.50 million (comprising equity transfer price of RMB0 and debt of RMB76.50 million).

Each of the Target Companies and Yixing Zhongtang were established in the PRC with limited liability and are principally engaged in real estate associated business. The main assets held by the Target Companies are set forth under the paragraph headed "Assets held by the Target Companies" below.

As one or more of the applicable percentage ratios in relation to the Acquisition and the Further Acquisition on an aggregated basis as contemplated under the Acquisition Agreements and the Further Acquisition Agreement are more than 25% but less than 100%, the Acquisition and the Further Acquisition as contemplated under the Acquisition Agreements and the Further Acquisition Agreement, respectively, constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements.

As (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Further Acquisition; and (ii) written shareholder's approval has been obtained from a Shareholder who holds more than 50% of the voting rights at the general meeting to approve the Acquisition and the Further Acquisition, subject to Rule 14.86 of the Listing Rules, a written shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide you with (i) further details of the Acquisition and the Further Acquisition; (ii) financial information of the Group; (iii) the accountants' report of the Target Companies; (iv) management discussion and analysis of the Target Companies; (v) unaudited pro forma financial information of the Enlarged Group; (vi) the property valuation report of the assets held by the Target Companies; and (vii) other general information as required under the Listing Rules.

ACQUISITION AGREEMENTS AND THE FURTHER ACQUISITION AGREEMENT

	Acquisition Agreements			
	Baohua Wuxi Agreement	**Wuxi Huiyuan Agreement**	**Baohua Jiangyin Agreement**	**Further Acquisition Agreement**
Date:	6 March 2018	6 March 2018	6 March 2018	12 June 2018
Parties:	(i) Wuxi Real Estate as vendor of 50% equity interests;	(i) Wuxi Real Estate as vendor of 100% equity interests; and	(i) Wuxi Real Estate as vendor of 40% equity interests;	(i) Yixing Zhongtang as vendor of 15% equity interests; and
	(ii) Wuxi City Investment as vendor of 50% equity interests; and	(ii) Purchaser as purchaser.	(ii) Wuxi City Investment as vendor of 15% equity interests; and	(ii) Purchaser as purchaser.
	(iii) Purchaser as purchaser.		(iii) Purchaser as purchaser.	
Asset to be acquired:	Entire equity interests in Baohua Wuxi	Entire equity interests in Wuxi Huiyuan	55% equity interests in Baohua Jiangyin	15% equity interests in Baohua Jiangjin

The transactions contemplated under each of the Acquisition Agreements form part of a composite transaction, i.e. the Acquisition. Pursuant to the terms of the Acquisition Agreements, the Target Assets are to be transferred to the Purchaser concurrently.

Assets held by the Target Companies

Pursuant to the Acquisition Agreements, the Purchaser has agreed to acquire, and the Vendors have agreed to sell, the Target Assets. Each of the Target Companies was established in the PRC with limited liability and is principally engaged in real estate associated business.

As informed by the Independent Valuer, Baohua Wuxi currently owns a parcel of land in Binhu District of Wuxi, Jiangsu, with a site area of approximately 163,000 square metres which was vacant as at the date of the valuation and can be used for residential development. The construction of phase 1 of the residential development has commenced and is expected to be completed in about May 2019. The construction of phase 2 of the residential development is expected to commence in about August 2019 and completed in about May 2020. The Board expects that the residential development will generate revenue and bring cash inflow in the first quarter of 2019 after pre-sale has been permitted.

As informed by the Independent Valuer, Wuxi Huiyuan currently owns a composite building known as Wuai Renjia* (五愛人家) for residential, office and commercial use with a total gross floor area of approximately 19,000 square metres in Liangxi District of Wuxi, Jiangsu. The building comprises a total of 250 units. A portion of the 250 units with the total lettable area of approximately 9,621 square metres has been legally leased out for office and residential purposes under 17 tenancy agreements with the latest term expiring on 30 September 2022 with a total monthly rental of approximately RMB371,000 (exclusive of management fee and the utilities expense) and the remaining portion of the property was vacant for sale as at the date of the Valuation. Such vacant portion of the property is expected to be sold by the end of 2018. As advised by the Independent Valuer, the total monthly rental of approximately RMB371,000 is in line with the market rate.

As informed by the Independent Valuer, Baohua Jiangyin currently owns a residential development known as Cang Pin Yu Shan Wan* (藏品敔山灣) on a parcel of land with a site area of approximately 109,019.00 square metres in Jiangyin City, Jiangsu. The development is scheduled in 4 phases. Phase 1, Phase 2, and Phase 3 have been completed with most of the units sold. Phase 4 is scheduled to be completed in 2019. The gross floor area remaining saleable which consists of units unsold and under construction was approximately 133,000 square metres as at the date of the valuation.

The Target Companies have entered into written agreements for the sale and lease of the properties held by the Target Companies.

Written agreements for the leased properties contain, among others, the following key terms:-

(i) tenants shall pay deposit of an amount stipulated in the relevant tenancy agreements which will, if there was no breach of the relevant agreements by the tenants, be returned at the expiry of the term of the lease;

(ii) tenants shall pay a sum equivalent to three months' of the rent upon signing the relevant tenancy agreements;

(iii) tenants shall pay the rent stipulated in the relevant tenancy agreements every quarter in advance one month before the expiry of the preceding quarter; and

(iv) any breach of the relevant tenancy agreements or the relevant rules and regulations by one party will entitle the innocent party to rescind the agreements and the party in breach shall pay a liquidated damage equivalent to 20% of the rent for the relevant year.

Written agreements for the sold properties contain, among others, the following key terms:-

(i) purchaser shall pay deposit stipulated in the relevant sale and purchase agreements upon signing such agreements;

(ii) purchaser shall pay the balance of the consideration within three weeks of the date of the sale and purchase agreements; and

(iii) default in payment for over 60 days will entitle the vendor of the relevant properties to rescind and the defaulting party shall pay liquidated damage to the relevant vendor of an amount stipulated in the relevant agreements.

The consideration of the sale of the sold properties and the rental rate of the leased properties were determined with reference to and were in line with the prevailing market rate for the comparable properties at time of the transactions.

Aggregate Consideration

The Aggregate Consideration for the Acquisition shall be RMB1,883.74 million, which shall be paid by the Purchaser in the following manner:

(i) the deposit under each of the Acquisition Agreements in the aggregate sum of RMB564 million, which had been paid by the Purchaser to a bank account designated by Wuxi Equity Exchange, will form part of the consideration of the relevant Acquisition Agreements; and

(ii) the balance of the consideration under each of the Acquisition Agreements shall be paid within 5 Business Days of the effective date of the relevant Acquisition Agreements to a bank account designated by Wuxi Equity Exchange, which shall transfer the same to the bank account of the relevant Vendors.

The deposit paid under each of the Acquisition Agreements is non-refundable if the Acquisition Agreements are rescinded as a result of the Purchaser's failure to pay the remaining consideration within 60 days after the date of payment specified in paragraph (ii) above.

As at the Latest Practicable Date, the Aggregate Consideration, the shareholder loan interest, the additional shareholder loan, the bank loan, and the loans from a related company under the relevant Acquisition Agreements have been paid in full.

Consideration to be paid in respect of the Further Acquisition

The consideration for the Further Acquisition shall be RMB76.50 million, which shall be paid by the Purchaser within 10 Business Days of the effective date of the Further Acquisition Agreement to a designated bank account of Yixing Zhongtang. As at the Latest Practicable Date, the relevant consideration has not been settled.

The total consideration for the Acquisition and the Further Acquisition, comprising the Aggregate Consideration and the consideration in respect of the Further Acquisition, amounts to RMB1,960.24 million.

Basis of determination of the Aggregate Consideration

The Aggregate Consideration was determined through an auction held by Wuxi Equity Exchange at which the Company successfully bid the Target Assets at a base bidding price of RMB1,883.74 million, which was based on a valuation made by Wuxi Baoguang Asset Valuation Company Limited* (無錫寶光資產評估有限公司) commissioned by the Vendors. Details of the valuation are set out in the following table:

	Baohua Wuxi *(RMB'000)*	**Wuxi Huiyuan** *(RMB'000)*	**Baohua Jiangyin** *(RMB'000)*
Date of valuation		30 June 2017	
Valuer		Wuxi Baoguang Asset Valuation Company Limited* (無錫寶光資產評估有限公司)	
Total assets	1,848,237	418,462	1,117,418
Total liabilities	1,299,521	327,778	1,254,054
Net assets	548,716	90,684	(136,636)

As advised by the PRC legal adviser of the Company, the auction and its process are regulated by the relevant laws and regulations of the PRC and the auction is a common practice for transactions of similar kind in Wuxi, Jiangsu.

The auction was carried out according to the standard procedures and terms determined by Wuxi Equity Exchange as a third party independent of the Vendors and the Purchaser. The information of the Target Assets was published on the website of Wuxi Equity Exchange from 24 October 2017 to 20 November 2017. The Target Assets were offered for sale from 14 December 2017 to 18 January 2018, during which Wuxi Equity Exchange has received a proposal from one potential bidder, i.e. the Purchaser.

Asset-based approach was adopted in the valuation. According to the valuer commissioned by the Vendors, market approach was not adopted as the valuer was unable to obtain comparable sales evidence in the relevant market at the time of the valuation. Income approach was not adopted because on the date of the valuation, the valuer was unable to predict with sufficient certainty the income potential, given that at the relevant time the development of the property projects was uncertain. Having considered (i) the factors considered by the valuer for the selection of valuation methodology; and (ii) the circumstances of the property development projects held by the Target Companies on the date of valuation by Wuxi Baoguang Asset Valuation Company Limited* (無錫寶光資產評估有限公司), which are different from the circumstances on the date of the valuation by AVISTA, the Board is of the view that the valuation methodology adopted is fair and reasonable.

The valuation was prepared on the assumptions that: (i) there is no material adverse change in the political, economic, and social environment or the current laws and regulations and government policies in Jiangsu, as well as the management of the Target Companies; (ii) there is no material breach of the relevant laws and regulations by the Target Companies which adversely affect the development and prospect of the Target Companies; (iii) the Vendors and the Purchaser entered into contract voluntarily in an open and informed market; and (iv) the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The Board is of the view that the key assumptions adopted for the valuation commissioned by the Vendors, which are comparable to that adopted by AVISTA, are fair and reasonable.

Basis of determination of the consideration in respect of the Further Acquisition

The consideration in respect of the Further Acquisition was determined based on the amount of debt in the sum of RMB76.50 million being the shareholder loan due to Yixing Zhongtang payable by Baohua Jiangyin. The right to such debt shall be assigned on the same date from Yixing Zhongtang to the Purchaser upon receipt of the consideration in respect of the Further Acquisition from the Purchaser.

The Directors consider that the Aggregate Consideration and the consideration in respect of the Further Acquisition are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

As one or more of the applicable percentage ratios in relation to the Acquisition and the Further Acquisition as contemplated under the Acquisition Agreements and the Further Acquisition Agreement, respectively, are more than 25%, and in order to ascertain the market value of the assets held by the Target Companies, the Company has, after the Aggregate Consideration had been determined through the auction, engaged AVISTA to conduct valuation on the assets held by each of the Target Companies. The name and qualification of the Independent Valuer is set out in Appendix VI to this circular.

The Board, having reviewed the background of AVISTA, are of the view that AVISTA is competent in performing the valuation. The Board has considered the experience of the personnel of AVISTA who is experienced in conducting financial reporting valuation projects and advising on corporate finance. The Board has also considered that the diverse team of professionals of AVISTA comes from globally-renowned valuation firms, investment banks, consulting firms and international accounting firms with CFA, HKICPA, CPA Australia, and MHKIS qualifications. The Board has also considered the curriculum vitae of Mr. Oswald W Y Au, Director of AVISTA, a summary of which is provided on page V-5 of the Circular.

To the best of the Board's knowledge, information and belief, having made all reasonable enquires, AVISTA is an Independent Third Party. The full text of the valuation report is set out in Appendix V to this circular. A summary of the valuation report is set out in the following table:

Assets held by the Target Companies to be acquired by the Group pursuant to the Acquisition and the Further Acquisition	Market Value in existing state as at 30 June 2018 *(RMB'000)*	Interest attributable to the Group	Market Value attributable to the Group as at 30 June 2018 *(RMB'000)*
1. The parcel of vacant land in Binhu District of Wuxi, Jiangsu, with a site area of approximately 163,000 square metres held by Baohua Wuxi	1,390,900	100%	1,390,900
2. The composite building known as Wuai Renjia* (五愛人家) for residential, office and commercial use with a total gross floor area of approximately 19,000 square metres in Liangxi District of Wuxi, Jiangsu held by Wuxi Huiyuan	286,970	100%	286,970
3. The residential development known as Cang Pin Yu Shan Wan* (藏品敔山灣) with a gross floor area of approximately 133,000 square metres remaining saleable which consists of units completed and under construction in Jiangyin City, Jiangsu held by Baohua Jiangyin	933,700	70%	653,590
Total:	2,611,570		2,331,460

The valuation report was prepared with reference to comparable sale transactions available in the relevant market and on the assumptions that: (i) for properties under development, all consents, approvals and licenses will be obtained from relevant government authorities without onerous conditions or delays and will be developed and completed in accordance with the development proposals provided by the Target Companies; and (ii) property interest held for future development are sold in their existing state with immediate vacant possession. Income approach was adopted in the valuation of the assets held by Wuxi Huiyuan whereas market approach was adopted in the valuation of the assets held by Baohua Wuxi and Baohua Jiangyin.

Having considered the valuation report as set out in Appendix V to this circular and the methodology adopted by the Independent Valuer, the Board is of the view that the Acquisition and the Further Acquisition are fair and reasonable and the entering into the Acquisition Agreements and the Further Acquisition Agreement are in the interests of the Company and the Shareholders as a whole.

Completion and completion of the Further Acquisition Agreement

Pursuant to the Acquisition Agreements, the Parties shall endeavour to procure the (1) transfer of owners' rights in the Target Assets; and (2) registration of such transfer within 15 Business Days after (a) full payment of the Aggregate Consideration, the shareholder loan interest, the additional shareholder loan, the bank loan, and the loans from a related company under the relevant Acquisition Agreements and (b) receipt of the (i) equity transaction confirmation* (產權交易憑証) from Wuxi Equity Exchange and (ii) approval of the Acquisition by the Purchaser from the Wuxi State-owned Assets Supervision and Administration Commission* (無錫市國有資產監督管理委員會).

None of the above conditions can be waived by the Purchaser or the Vendors. If any of the conditions set out above is not fulfilled by the Purchaser or the Vendors, the deposit paid by the Purchaser shall be forfeited or the Vendors shall compensate to the Purchaser in accordance with the terms stipulated therein.

The Acquisition has been completed and all the conditions under the Acquisition Agreements have been fulfilled on the Completion Date. On 3 July 2018, the name of Target Company A was changed from Wuxi Huiling Real Estate Co., Ltd.* (無錫惠靈置業有限公司) to Baohua Real Estates (Wuxi) Co., Ltd.* (保華地產（無錫）有限公司). On 5 July 2018, the name of Target Company C was changed from Wuxi Huize Real Estate Co., Ltd.* (無錫惠澤置業有限公司) to Baohua Real Estates (Jiangyin) Co., Ltd.* (保華地產（江陰）有限公司). Since the Completion Date, Baohua Wuxi and Wuxi Huiyuan have become indirect wholly-owned subsidiaries of the Company while Baohua Jiangyin has become an indirect non-wholly-owned subsidiary of the Company and owned as to 55% by the Company. The financial results of the Target Companies will be consolidated into the financial statements of the Enlarged Group.

As at the Latest Practicable Date, the Aggregate Consideration, the shareholder loan interest, the additional shareholder loan, the bank loan, and the loans from a related company have been paid and repaid in full pursuant to the Acquisition Agreements.

Pursuant to the Further Acquisition Agreement, the Parties shall endeavour to procure the (1) transfer of owners' rights in the Further Acquisition Asset; (2) registration of such transfer; and (3) appointment of person(s) designated by the Purchaser in place of the director(s) and supervisor(s) of Baohua Jiangyin, who were designated by Yixing Zhongtang and shall be resigned, on the date (or the following date if not feasible) of full payment of the consideration in respect of the Further Acquisition.

Upon completion of the Further Acquisition, Baohua Jiangyin will be owned as to 70% by the Company. As at the Latest Practicable Date, the Further Acquisition has not been completed and the relevant consideration has not been settled. The Further Acquisition is expected to be completed by the end of 2018.

SOURCE OF FINANCING

The deposit under each of the Acquisition Agreements in the aggregate sum of RMB564 million was satisfied by the Company's internal financial resources. The balance of the Aggregate Consideration, the shareholder loan interest, the additional shareholder loan, the bank loan, and the loans from a related company had been fully settled and were wholly financed by unsecured and interest-free borrowings from CHG, the immediate holding company of the Company. There is no fixed repayment schedule of such borrowings and CHG has undertaken not to demand repayment until after 30 September 2019.

The consideration in respect of the Further Acquisition will be satisfied by the said unsecured and interest-free borrowings from CHG.

INFORMATION OF THE GROUP

The principal activities of the Group are: (i) sales and manufacturing of solar photovoltaic products; (ii) sales and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (iii) trading and logistics; (iv) property development and investments; and (v) provision of financial services.

INFORMATION OF THE VENDORS

Wuxi City Investment and Wuxi Real Estate are companies established in the PRC with limited liability and are principally engaged in real estate associated business. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Vendors, their respective ultimate beneficial owners and their respective associates are not connected persons of the Company and the Vendors are Independent Third Parties.

INFORMATION OF YIXING ZHONGTANG

Yixing Zhongtang is a company established in the PRC with limited liability and is principally engaged in real estate associated business. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Yixing Zhongtang, its ultimate beneficial owners and its associates are not connected persons of the Company and Yixing Zhongtang is an Independent Third Party.

INFORMATION OF THE TARGET COMPANIES

Each of the Target Companies is a company established in the PRC with limited liability and is principally engaged in real estate associated business. The main assets held by each of the Target Companies are set forth under the paragraph headed "Assets held by the Target Companies" above.

As at the Latest Practicable Date, Baohua Jiangyin has become an indirect non-wholly-owned subsidiary of the Company and owned as to 55% by the Purchaser; and 30% by Wuxi Jinde Investment Development Co., Ltd.* (無錫市金德資產管理有限公司) and 15% by Yixing Zhongtang, companies established in the PRC with limited liability and principally engaged in assets management and real estate associated business, respectively. The profits of Baohua Jiangyin will be divided *pari passu* among shareholders of Baohua Jiangyin according to their respective shareholdings. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the other shareholders of Baohua Jiangyin, their respective ultimate beneficial owners and their respective associates are not connected persons of the Company and are Independent Third Parties.

Upon completion of the Further Acquisition, Baohua Jiangyin will be owned as to 70% by the Purchaser and 30% by Wuxi Jinde Investment Development Co., Ltd.* (無錫市金德資產管理有限公司).

Save for the construction costs for the uncommenced or uncompleted portion of the development projects of the Target Companies, and other ancillary costs to be incurred in the ordinary course of business of the Target Companies, there is no other further commitment in the Target Companies after the Completion.

The construction costs for the uncommenced or uncompleted portion of the development projects of the Target Companies is expected to be approximately RMB1,657 million in aggregate and a breakdown of which is as follows:-

(i) Approximately RMB1,350 million is expected to be incurred, being the estimated construction costs for the development project of Baohua Wuxi. As at the Latest Practicable Date, the construction has commenced and master construction contract has been signed in respect of the development project;

(ii) Approximately RMB30 million is expected to be incurred, being the estimated costs for the renovation work carried out and carrying out after Completion in the composite building known as Wuai Renjia* (五愛人家). As at the Latest Practicable Date, such renovation work was in progress; and

(iii) Approximately RMB140 million, being the capital commitment of Baohua Jiangyin as at 31 May 2018 and the estimated construction costs for the uncompleted portion of the development project of Baohua Jiangyin, is expected to be incurred.

Such construction costs, which are to be paid with reference to the stage of completion at the relevant time, will be satisfied by the proceeds and rental income generated from the sale of the properties held by the Target Companies, and where necessary, internal resources and external borrowings of the Company. The pre-sale of the property development of Baohua Wuxi is expected to commence in the first quarter of 2019.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

Set out below is the financial information of the Target Companies prepared in accordance with generally accepted accounting principles adopted in the PRC:

Baohua Wuxi

	For the year ended 31 December		For the Five months ended 31 May	
	2016	2017	2017 (unaudited)	2018
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net profit/(loss) for the period before taxation	(650)	1,750	(159)	(19,838)
Net profit/(loss) for the period after taxation	(650)	1,313	(159)	(19,838)

Wuxi Huiyuan

	For the year ended 31 December		For the Five months ended 31 May	
	2016	2017	2017 (unaudited)	2018
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net profit/(loss) for the period before taxation	(20,872)	(18,921)	(8,570)	8,734
Net profit/(loss) for the period after taxation	(22,146)	(19,523)	(8,824)	6,356

Baohua Jiangyin

	For the year ended 31 December		For the Five months ended 31 May	
	2016	2017	2017 (unaudited)	2018
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Net profit/(loss) for the period before taxation	(9,253)	(12,354)	(3,635)	(3,098)
Net profit/(loss) for the period after taxation	(11,650)	(13,211)	(4,040)	(3,176)

The aggregate net liabilities of the Target Companies as at 31 May 2018 were approximately RMB486.3 million.

FINANCIAL IMPACT OF THE ACQUISITION AND THE FURTHER ACQUISITION ON THE GROUP

Upon Completion and completion of the Further Acquisition, each of the Target Companies will become a subsidiary of the Company.

Effects on assets and liabilities

1. Assets and liabilities

As detailed in the unaudited pro forma statement of the consolidated assets and liabilities of the Enlarged Group in Appendix IV to this circular, assuming the Acquisition completed on 31 March 2018, the unaudited pro forma consolidated assets of the Enlarged Group would have increased from approximately RMB11,764.5 million to RMB13,991.6 million, the unaudited pro forma consolidated liabilities of the Enlarged Group would have increased from approximately RMB9,083.0 million to RMB11,665.1 million, and the net assets would have decreased from approximately RMB2,681.5 million to RMB2,326.5 million as a result of the Acquisition and the Further Acquisition.

2. Earnings

Upon Completion and completion of the Further Acquisition, the financial results of the Target Companies will be consolidated into the consolidated financial statements of the Enlarged Group and the Enlarged Group will receive earnings from the sale and lease of assets held by the Target Companies. As detailed in the accountants' reports of the Target Companies in Appendix II (A), Appendix II (B), and Appendix II (C) to this circular, the aggregate total comprehensive loss for the five months ended 31 May 2018 of the Target Companies amounted to approximately RMB16.7 million.

The attention of the Shareholders is drawn to the unaudited pro forma financial information of the Enlarged Group set out in Appendix IV to this circular.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE FURTHER ACQUISITION

The principal businesses 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) property development and investments; (iv) manufacturing and sales of photovoltaic products; and (v) financial services.

Overview of the business and the assets of the Target Companies

As disclosed in the Company's 2018 annual report, the Group seeks to invest on development projects with asset appreciation potential to enjoy asset appreciation while generating stable revenue.

The Acquisition and the Further Acquisition will enable the Enlarged Group to hold a majority of the equity interests in the Target Companies. In view of the location of the land and properties held by the Target Companies, the Board considers that the Acquisition and the Further Acquisition will offer a good opportunity for the Group to develop high-quality properties and replenish land banks in strategically important regions in the Yangtze River Delta area, the PRC with a view to bringing more investment return for the Shareholders. In particular:-

(i) the land held by Baohua Wuxi is located in the Binhu District of Wuxi, which is near the entrance and exit zone of Taihu Lake Tunnel* (太湖隧道). According to the disclosure of government information by Wuxi Municipal People's Government* (無錫市人民政府), Taihu Lake Tunnel is expected to be completed in about December 2020. The Board considers that the completion and opening of Taihu Lak Tunnel and connection with the neighbouring highway network will boost the tourism in the nearby areas and bring appreciation potential to the land held by Baohua Wuxi and its residential development which has commenced in August 2018;

(ii) the composite building known as Wuai Renjia* (五愛人家) held by Wuxi Huiyuan is located in Liangxi District of Wuxi, which is within the core area of Wuxi. Leveraging on the strategic location of the properties and the demand for small-sized residential units within Wuxi, the Board expected to achieve a financial return given the trend of appreciation of property prices in Wuxi to the Group through the sale and/or lease of the properties; and

(iii) the Board considers that the residential development known as Cang Pin Yu Shan Wan* (藏品敔山灣) in Jiangyin City, Jiangsu held by Baohua Jiangyin will generate promising sales revenue owing to the positive effect to the property market brought by Project 1310* (1310工程) in Jiangyin City, which aims at improving the city landscape through a series of construction projects and enhancement work.

In assessing whether the Acquisition and the Further Acquisition would offer an attractive return to the Company, the Directors had carried out independent work and obtained necessary information to enable the Board to reach an informed view on the nature of the assets of the Acquisition and the Further Acquisition including, among other things:

(i) obtained and reviewed the valuation of the property prepared by the Independent Valuer and the underlying valuation workings and assumptions;

(ii) conducted feasibility studies on the property development projects of the Target Companies to obtain a comprehensive view of, among others, the profitability and prospects of the property development projects;

(iii) obtained and reviewed the business plan of the Target Companies in respect of the development plan taken by the management of the Wuxi Huiyuan and Baohua Jiangyin for the two property development projects of Wuai Renjia* (五愛人家) and Cang Pin Yu Shan Wan* (藏品敔山灣);

(iv) obtaining legal advice on the title of the assets held by the Target Companies;

(v) obtained and reviewed the cash flow forecast of the aforesaid property development projects, assessed the calculation of the return on investment derived from the forecast, evaluated the reliability of the underlying data generated to prepare the forecast and determined whether there is adequate support for the assumptions underlying the forecast; and

(vi) considered the information, findings and recommendations made by the management of the Company regarding, among other things, the background for the Acquisition and the Further Acquisition and of the Target Companies, the basis of the major terms of the Acquisition Agreements and the Further Acquisition Agreement, the future operations of the Enlarged Group upon Completion and the completion of the Further Acquisition and so forth.

In particular, the Board was advised that:

(i) Each and every of the Target Companies have the legal right of the land use rights of the assets held by them respectively;

(ii) Baohua Wuxi has the right to transfer, lease, use and gift the parcel of land held by it;

(iii) Wuxi Huiyuan has the right to transfer and pledge the assets held by it, and the right to lease and use the same except units which have been legally leased out under 17 tenancy agreements; and

(iv) Baohua Jiangyin has the right to transfer, lease, pledge, use and gift the unsold portion of the assets held by it and has obtained relevant construction permission and approval including construction works commencement permits for its uncompleted construction works.

The Board, having reviewed the scope and the results of the site inspection and the title investigation, is of the view that the investigation is sufficient and is satisfied with such results.

Expertise of the management of the Group

One of the executive Directors of the Company, Mr. He Shufen (何樹芬先生) ("**Mr. He**"), is the Chairman of the Purchaser since June 2017. Mr. He holds a master's degree in civil engineering from Dalian Technical University* (大連理工大學) and professional qualifications as certified senior engineer, architect, appraiser, cost engineer and supervision engineer. Mr. He has over 30 years of management experiences in the property development industry. He has substantial experience in the management and operation of large-scale property development projects. Mr. He's years of experience in the property development market have enabled him to oversee and monitor the operation and performance of the Target Companies, as well as the execution of the development projects of the Target Companies.

Mr. Ma Kai (馬凱先生) ("**Mr. Ma**"), the project manager of the property development project of Baohua Wuxi, was graduated from Hebei University of Architecture* (河北建築工程學院) in 1992. Mr. Ma has obtained the title of intermediate level architectural engineer. He has over 23 years of experience in large-scale construction projects and real estate development. In particular, he has been a project manager of Baohua Real Estate (Yingkou) Co., Ltd.* (保華地產(營口)置業有限公司), a wholly-owned subsidiary of the Purchaser, for over 6 years.

Mr. Bai Wenshan (柏文山先生) ("**Mr. Bai**"), the project manager of the property development projects of Wuxi Huiyuan and Baohua Jiangyin, was graduated from Nanjing Tech University* (南京工業大學) with a bachelor degree. He has over 14 years of management experience in real estate development and large-scale construction projects.

The experience and qualifications of Mr. Ma and Mr. Bai have enabled them to supervise the development projects of the Target Companies and their operation.

Mr. Ma and Mr. Bai report regularly to Mr. He, the executive Director, as to, among other things, the construction progress and results of quality inspection in respect of the development projects of the Target Companies. Members of the management of the Target Companies report regularly to the Company's management as to the sales performance of the Target Companies. The Board is of the view that the Company's management has sufficient experience and expertise to monitor the operations and performance of the Target Companies.

The Board, having considered the unaudited pro forma statement of the consolidated assets and liabilities of the Enlarged Group as set out in Appendix IV to this circular, including the carrying amount of the goodwill being approximately RMB263.01 million arising from the acquisition of the Baohua Jiangyin, is of the view that the Acquisition and the Further Acquisition are fair and reasonable and in the interest of the Company and its shareholders as a whole. In particular, in addition to the reasons stated above, the Board has taken into account the following reasons which, the Board considers, will outweigh the impairment loss arising from the acquisition of the Baohua Jiangyin:

(i) the market value and profitability of the development project of Baohua Wuxi upon its full completion according to the feasibility studies conducted by the Company;

(ii) the appreciation of the market value of the development project of Wuxi Huiyuan upon completion of the renovation work which is carried out after the valuation date of the property valuation report as set out in Appendix V to this circular;

(iii) the 473 car parking spaces, which Wuxi Huiyuan is entitled to lease and thereby generating revenue but has yet obtained relevant title certificates, according to AVISTA, has a reference value of RMB55 million as at the date of the valuation, to which the property valuation report as set out in Appendix V to this circular attributed no commercial value;

(iv) the 794 car parking spaces, which Baohua Jiangyin is entitled to lease and thereby generating revenue but has yet obtained relevant title certificates, according to AVISTA, has a reference value of RMB75 million as at the date of the valuation, to which the property valuation report as set out in Appendix V to this circular attributed no commercial value; and

(v) the overall profitability of the Target Assets given that the Target Assets were offered to be sold concurrently.

The reporting accountants agreed with the Board's assessment on impairment. The Company will adopt consistent accounting policies for the impairment test of goodwill for future assessment in according with Hong Kong Financial Reporting Standards. However, for the principal assumptions, including but not limited to the selling price of the properties for sale, government policies and local property market situations shall be updated in future assessment of goodwill impairment. The Company's auditors shall review the Company's impairment test of goodwill in the coming audit for the financial statements for the nine months ending 31 December 2018 in due course.

Accordingly, the Board is of the view that the Acquisition and the Further Acquisition are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had no intention to acquire the remaining 30% equity interests in Baohua Jiangyin. The Directors, however, does not preclude such possibility in the future.

As at the Latest Practicable Date, save for the Acquisition and the Further Acquisition, the Yingkou Acquisition, and the Potential Acquisitions, the Company had no other intention or plan, or has entered into or proposed to enter into any other agreement, arrangement, undertaking or negotiation to acquire any new business or dispose its existing business.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in relation to the Acquisition and the Further Acquisition on an aggregated basis as contemplated under the Acquisition Agreements and the Further Acquisition Agreement are more than 25% but less than 100%, the Acquisition and the Further Acquisition as contemplated under the Acquisition Agreements and the Further Acquisition Agreement, respectively, constitute a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements.

To the best knowledge, information and belief of the Directors after all reasonable enquiries have been made, no Shareholders or any of their respective associates have any material interest in the Acquisition or the Further Acquisition. As such, no Shareholders would be required to abstain from voting in favour of the resolutions approving the Acquisition and the Further Acquisition if the Company were to convene a general meeting for approving the Acquisition and the Further Acquisition.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, subject to Rule 14.86 of the Listing Rules, a written shareholder's approval may be accepted in lieu of holding a general meeting if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Further Acquisition; and (ii) the written Shareholder's approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Acquisition and the Further Acquisition.

To the best of the Directors' knowledge, information and belief, after making all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition or the Further Acquisition. As such, no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition and the Further Acquisition.

A written approval has been obtained from the controlling Shareholder of the Company, CHG, being the holder of 44,202,780 Shares (representing approximately 72.86% of the issued share capital of the Company as at the Latest Practicable Date), for the Acquisition and the Further Acquisition. Such written approval has been accepted in lieu of holding a general meeting of the Company for approving the Acquisition and the Further Acquisition. Therefore, no general meeting of the Company will be convened for approving the Acquisition and the Further Acquisition pursuant to Rule 14.44 of the Listing Rules.

GENERAL

Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares and other securities of the Company.

RECOMMENDATIONS

Having considered the above-mentioned benefits to the Group, the Directors (including the independent non-executive Directors) consider that the terms of the Acquisition Agreements and the Further Acquisition Agreement are fair and reasonable and the Acquisition and the Further Acquisition are in the interest of the Company and the Shareholders as a whole and is fair and reasonable to the Company.

ADDITIONAL INFORMATION

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

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

Yours faithfully,
By order of the Board
Huajun International Group Limited
TAM Ka Lung
Company Secretary

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2016, 2017 and 2018 are disclosed in the annual reports of the Company for the financial years ended 31 March 2016 (pages 45 to 212), 31 March 2017 (pages 81-259), and 31 March 2018 (pages 62 to 239) respectively, and are incorporated by reference into this circular. The said annual reports of the Company are available on the website of the Company at www.huajunholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

The Company's 2016 annual report is available at:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0719/LTN20160719231.pdf

The Company's 2017 annual report is available at:
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0725/LTN20170725175.pdf

The Company's 2018 annual report is available at:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0730/LTN20180730051.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2018, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following liabilities:

(a) Borrowings

As at the close of business on 31 July 2018 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately RMB8,480 million, comprising secured bank borrowings of approximately RMB4,290 million, unsecured bank borrowings of approximately RMB599 million, unsecured borrowings from immediate holding company of RMB2,724 million and unsecured bonds payable of approximately RMB867 million. The borrowings of approximately RMB2,857 million are guaranteed and RMB5,623 are unguaranteed.

(b) Pledge of assets

As at the close of business on 31 July 2018, the Group's property, plant and equipment, prepaid lease payments, land and property for sale, investment properties, trade and bills receivables and pledged bank deposits with carrying amounts of approximately RMB790 million, RMB109 million, RMB2,638 million, RMB5,348 million, RMB1 million and RMB210 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

(c) Guarantees

As at the close of business on 31 July 2018, the Company had provided corporate guarantees to the extent of approximately RMB2,939 million to secure general banking facilities granted to its subsidiaries. As at 31 July 2018, the amount drawn against the banking facilities amounted to approximately RMB2,857 million.

Save as disclosed above or otherwise mentioned in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any other outstanding indebtedness at the close of business on 31 July 2018 or any debt securities issued and outstanding, and authorised or otherwise created but unissued, bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, after due and careful enquiry, the Directors were of the opinion that, after taking into account Group's business prospects, the net assets position of the Group, the internal financial resources available to the Group, and the existing borrowings and available facilities to the Group, the working capital available to the Group was sufficient for the Group's requirement for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Enlarged Group will maintain its focus on its core business segments, namely (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) trading and logistics; (iii) property development and investments; (iv) provision of financial services; and (v) manufacturing and sales of photovoltaic products. The Enlarged Group will continue to optimise its assets structure to ensure a balanced growth with enhanced rate of return on investments.

Upon Completion and completion of the Further Acquisition, the Enlarged Group will, through its equity interest in the Target Companies, own the assets held by the Target Companies. The Enlarged Group will be able to take advantage of its presence in the property market in the strategically important regions in the Yangtze River Delta area, the PRC to develop high-quality properties and replenish land banks in the area. The Directors believe that the properties held by the Target Companies will generate stable revenue for the Company and the Acquisition and the Further Acquisition will further enhance and expand the Company's business segment of property development and investments.

In order to enhance long-term growth of the Enlarged Group and create substantial value to the Shareholders, the Enlarged Group is dedicated to continuously explore opportunities to invest on development projects with asset appreciation potential to enjoy asset appreciation while generating stable revenue.

(i) sales and manufacturing of solar photovoltaic products

The "Photovoltaic Construction Plan 2015" published by China National Energy Administration of the PRC shows that the PRC targeted its newly-installed Photovoltaic capacity for 2015 at 17,800 megawatts, which is increased by approximately 20% compared to the same in 2014, being one-third of the global target of newly installed Photovoltaic capacity. To seize the opportunity, the Group acquires several high-tech Photovoltaic companies which are principally engaged in business including manufacturing and sales of monocrystalline silicon, polycrystalline silicon, silicon wafers, solar cells, and solar modules. The Group's main operations under this segment are located in Jiangsu.

The Group has always endorsed a prudent philosophy of good governance with emphasis on risk management, and strived to maintain excellent assets quality, stability and financial resources. At the same time, the Group has been proactively seeking core business returns and exploring new business opportunities carefully.

(ii) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper product

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

(iii) trading and logistics

This segment is principally engaged in the distribution and sales of industrial software, electronic parts and devices and oil and chemical products. The Group is the major distributor of large scale international brands of electronic products. In August 2016, Shanghai Huajun Petrochemical Trading Corporation Limited (上海華君化工有限公司) was set up, which engages in a wide spectrum of oil and chemical products. The Group expects the vast demand of electronic, oil and chemical products in Hong Kong and the PRC will continue to support the growth of this segment.

(iv) property development and investments

This segment consists of land consolidation and development, real estate development and sales, property leasing and management, and various real estate business. Leveraging on the rich resources in the PRC, the Group seeks to invest on development projects with asset appreciation potential to enjoy asset appreciation while generating stable revenue.

The Directors believe that the Acquisition and the Further Acquisition will further enhance and expand this business segment of the Company. The Group expects that the properties held by the Target Companies will generate stable revenue for the Group.

(v) provision of financial services

The Group provides finance to prospective customers who would provide securities for the performance of their respective obligations to repay the Group. The Group will take a prudent approach to develop this business segment, diversify the customer portfolio and seek opportunity to cooperate with its business partners.

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

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

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors of the Target Companies will not be varied in consequence of the Acquisition.

5. MATERIAL ADVERSE CHANGE

On 27 June 2018 and 28 June 2018, the Company announced that, three statutory demands under section 178(1)(A) or 327(4)(a) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) were served on the Company on 26 June 2018 by the legal representative of a creditor to demand the Company to pay three outstanding debts in the amounts of RMB23,016,724.06 (equivalent to approximately HK$27,160,000), RMB25,119,487.68 (equivalent to approximately HK$29,641,000) and RMB230,016,817.40 (equivalent to approximately HK$271,420,000), respectively, within 3 weeks after service of the said statutory demands to pay the said debts. If the Company fails to repay the said debts within the said 3-week period, the said creditor may present a winding-up petition against the Company. The said debts under the said statutory demands were incurred by Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司) and Jiangyin Hareon Solar Energy Electrical Power Co., Ltd. (江陰海潤太陽能電力有限公司), which was guaranteed by the Company pursuant to the financial guarantee entered into by the Company on 19 October 2016 in favour of the said creditor, in respect of obligations and liabilities of the said two debtors under the restructuring documents in the amount of approximately RMB383,361,000.

As disclosed in the announcement of the Company dated 16 July 2018, it was confirmed by the said creditor in writing that the creditor had received the payment of RMB278,153,029.14 for settling the outstanding debts owed by the said debtors to the said creditor, and that the Company is released from the guarantee obligation for the said sum and the statutory demands shall be withdrawn by the creditor. Accordingly, the Company believes that no winding up petition would be presented against the Company pursuant to the statutory demands.

Save as the disclosure made by the Company's announcements dated 15 June 2018 and 27 June 2018, respectively, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

ACCOUNTANTS ' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAJUN INTERNATIONAL GROUP LIMITED (FORMERLY KNOWN AS HUAJUN HOLDINGS LIMITED)

Introduction

We report on the historical financial information of Baohua Real Estates (Wuxi) Co., Limited* (the "**Target Company A**") set out on pages II(A)-4 to II(A)-22, which comprises the statements of financial position of the Target Company A as at 31 December 2015, 2016 and 2017 and 31 May 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2015, 2016 and 2017 and five months ended 2018 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 24 September 2018 in connection with the proposed acquisition of the entire equity interest in the Target Company A.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company A are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company A's financial position as at 31 December 2015, 2016 and 2017 and 31 May 2018 of the Target Company A's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company A which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the five months ended 31 May 2017 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company A are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the Historical Financial Information which mentions that the Target Company A incurred loss of RMB19,838,000 for the period ended 31 May 2018 and as at 31 May 2018, the Target Company A had net current liabilities and net liabilities of RMB11,906,000 and RMB11,906,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Target Company A's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II(A)-4 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084

Hong Kong, 24 September 2018

* The English name is a translation of its Chinese name of 保華地產(無錫)有限公司 and included herein for identification purpose only.

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY A

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Baohua Real Estates (Wuxi) Co., Limited* (the "**Target Company A**") was incorporated on 27 December 2011 in the People's Republic of China (the "**PRC**") with limited liability and engaged in real estate associated business.

The Target Company A has adopted 31 December as the financial year end date.

The statutory financial statements of the Target Company A for the each of the three years ended 31 December 2015, 2016 and 2017 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the Jiangsu Jinling Certified Public Accountants Co., Ltd. (江蘇金陵會計師事務所有限公司), certified public accountants registered in the PRC.

The directors of the Target Company A have prepared the financial statements of the Target Company A for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* The English name is a translation of its Chinese name of 保華地產(無錫)有限公司 and included herein for identification purpose only.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2015	2016	2017	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*8*	–	–	–	–	–
Other income	*9*	21	13	3,298	4	4
Administrative expenses		(676)	(663)	(1,548)	(163)	(171)
(Loss)/profit from operations		(655)	(650)	1,750	(159)	(167)
Finance costs	*11*	–	–	–	–	(19,671)
(Loss)/profit before tax		(655)	(650)	1,750	(159)	(19,838)
Income tax expenses	*12*	–	–	(437)	–	–
(Loss)/profit and total comprehensive (expenses)/ income for the years/ periods	*13*	(655)	(650)	1,313	(159)	(19,838)

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 May
		2015	2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Deferred tax assets	*15*	437	437	–	–
CURRENT ASSETS					
Property for sale under development	*16*	748,913	773,420	815,735	815,735
Bank and cash balances		4,246	4,597	7,965	7,635
		753,159	778,017	823,700	823,370
CURRENT LIABILITIES					
Accruals and other payables	*17*	323,578	323,578	36,943	36,780
Amount due to a related company	*18*	192,200	204,600	217,000	222,096
Amounts due to shareholders	*19*	230,549	243,657	561,825	576,400
		746,327	771,835	815,768	835,276
NET CURRENT ASSETS/ (LIABILITIES)		6,832	6,182	7,932	(11,906)
NET ASSETS/(LIABILITIES)		7,269	6,619	7,932	(11,906)
CAPITAL AND RESERVE					
Capital	*20*	10,000	10,000	10,000	10,000
Reserves		(2,731)	(3,381)	(2,068)	(21,906)
TOTAL EQUITY		7,269	6,619	7,932	(11,906)

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	10,000	(2,076)	7,924
Loss and total comprehensive expenses for the year	–	(655)	(655)
At 31 December 2015 and 1 January 2016	10,000	(2,731)	7,269
Loss and total comprehensive expenses for the year	–	(650)	(650)
At 31 December 2016 and 1 January 2017	10,000	(3,381)	6,619
Profit and total comprehensive income for the year	–	1,313	1,313
At 31 December 2017 and 1 January 2018	10,000	(2,068)	7,932
Loss and total comprehensive expenses for the period	–	(19,838)	(19,838)
At 31 May 2018	10,000	(21,906)	(11,906)
At 1 January 2017	10,000	(3,381)	6,619
Loss and total comprehensive expenses for the period (unaudited)	–	(159)	(159)
At 31 May 2017 (unaudited)	10,000	(3,540)	6,460

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities					
(Loss)/profit before tax	(655)	(650)	1,750	(159)	(19,838)
Adjustments for:					
Interest income	(21)	(13)	(3,298)	(4)	(4)
Finance costs	–	–	–	–	19,671
Operating loss before working capital changes	(676)	(663)	(1,548)	(163)	(171)
Change in property for sale under development	(89)	(200)	(164)	(164)	–
Change in accruals and other payables	(1)	–	(286,635)	(286,798)	(163)
NET CASH USED IN OPERATING ACTIVITIES	(766)	(863)	(288,347)	(287,125)	(334)
Cash flows from investing activities					
Interest received	21	13	3,298	4	4
NET CASH GENERATED FROM INVESTING ACTIVITIES	21	13	3,298	4	4
Cash flows from financing activities					
Repayment to shareholders	(1,201)	–	(505,516)	–	–
Advance from shareholders	–	1,201	800,000	800,000	–
Interest paid	–	–	(6,067)	–	–
NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES	(1,201)	1,201	288,417	800,000	–
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,946)	351	3,368	512,879	(330)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	6,192	4,246	4,597	4,597	7,965
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	4,246	4,597	7,965	517,476	7,635
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	4,246	4,597	7,965	517,476	7,635

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company A was incorporated in the PRC with limited liability on 27 December 2011. The address of its registered office and principal place of business is 無錫市濱湖區馬山街道閭江165號.

The Target Company A is principally engaged in real estate associated business in the PRC.

In the opinion of the directors of the Target Company A, as at 31 May 2018, Wuxi City Development Group Co., Limited (無錫城市發展集團有限公司) is the ultimate holding company of the Target Company A.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 5 below which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. GOING CONCERN BASIS

The Target Company A incurred loss of RMB19,838,000 for the period ended 31 May 2018 and as at 31 May 2018, the Target Company A had net current liabilities and net liabilities of RMB11,906,000 and RMB11,906,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Target Company A's ability to continue as a going concern.

The Historical Financial Information has been prepared on a going concern basis. In preparing the Historical Financial Information, the directors of the Target Company A have reviewed the Target Company A's financial and liquidity position, and taken into consideration the following factors:

– if the Target Company A becomes a subsidiary of Huajun International Group Limited, Huajun International Group Limited will make available to the Target Company A whatever financial support is required to enable the Target Company A to meet in full its financial obligations as they fall due for a period of twelve months from the date of this Historical Financial Information; and

– cost control measures; and

– possible additional external funding.

The directors of the Target Company A believe that, taking into account the above factors, the Target Company A will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, and accordingly, have prepared the Historical Financial Information on a going concern basis.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company A had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations.

The Target Company A has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company A has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results of operations and financial position of the Target Company A.

5. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention. The Historical Financial Information is presented in Renminbi ("**RMB**") and all figures are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in note 6 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company A becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company A transfers substantially all the risks and rewards of ownership of the assets; or the Target Company A neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target Company A are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Target Company A recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target Company A measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Target Company A measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company A's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company A after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company A has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company A are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Target Company A recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Target Company A's performance;

– the Target Company A's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Target Company A's performance does not create an asset with an alternative use to the Target Company A and the Target Company A has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Target Company A participates in a defined contribution retirement scheme organised by the government in the PRC. The Target Company A is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Company A can no longer withdraw the offer of those benefits and when the Target Company A recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Company A that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company A's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in a subsidiary, except where the Target Company A is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company A intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target Company A.

(A) A person or a close member of that person's family is related to the Target Company A if that person:

(i) has control or joint control over the Target Company A;

(ii) has significant influence over the Target Company A; or

(iii) is a member of the key management personnel of the Target Company A or of a parent of the Target Company A.

(B) An entity is related to the Target Company A if any of the following conditions applies:

(i) The entity and the Target Company A are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company A or an entity related to the Target Company A. If the Target Company A is itself such a plan, the sponsoring employers are also related to the Target Company A.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company A or to a parent of the Target Company A.

Impairment of assets

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company A's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

6. CRITICAL JUDGMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Company A have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

(a) Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the factors explained in Note 3 to the Historical Financial Information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Determination of net realisable value of properties for sale under development

Properties for sale under development for sale and completed properties for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB748,913,000, RMB773,420,000, RMB815,735,000 and RMB815,735,000 as at 31 December 2015, 2016, 2017 and 31 May 2018 respectively. Cost, including the cost of land, development expenditure, borrowing costs capitalised in accordance with the Target Company A's accounting policy and other attributable expenses, are allocated to each unit in each phase based on sellable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties for sale under development.

7. FINANCIAL RISK MANAGEMENT

The Target Company A's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk, and interest rate risk. The Target Company A's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company A's financial performance.

(a) Foreign currency risk

The Target Company A has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi. The Target Company A currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Company A will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of the bank and cash balances included in the statements of financial position represent the Target Company A's maximum exposure to credit risk in relation to the Target Company A's financial assets.

The Target Company A has no significant concentrations of credit risk.

The credit risk on bank and cash balances is limited because the counterparties are banks with good reputation.

(c) Liquidity risk

The Target Company A's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Target Company A's financial liabilities are due within one year.

(d) Interest rate risk

As the Target Company A has no significant interest-bearing assets and liabilities, the Target Company A's operating cash flows are substantially independent of changes in market interest rates.

The Target Company A's amount due to shareholders and a related company bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

(e) Categories of financial instruments

	At 31 December			31 May
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortised cost (including cash and cash equivalents)	4,246	4,597	7,965	7,635
Financial liabilities:				
Financial liabilities at amortised cost	746,327	771,835	815,768	835,276

(f) Fair values

The carrying amounts of the Target Company A's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

8. REVENUE

There was no revenue generated during the Relevant Periods.

9. OTHER INCOME

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Bank interest income	21	13	3,298	4	4

10. SEGMENT INFORMATION

The Target Company A's operating segment is property development in the PRC. Since this is the only operating segment of the Target Company A, no further analysis thereof is presented.

The Target Company A's operation and operating assets are substantially located in the PRC. Accordingly, no geographical segment information is presented.

There was no revenue generated during the Relevant Periods.

11. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings	24,307	24,307	42,151	15,849	19,671
Amount capitalised	(24,307)	(24,307)	(42,151)	(15,849)	–
	–	–	–	–	19,671

12. INCOME TAX EXPENSES

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC Corporate Income Tax	–	–	–	–	–
Deferred tax *(Note 15)*	–	–	437	–	–
	–	–	437	–	–

No provision for PRC Corporate Income Tax is required since the Target Company A has no assessable profit for the years ended 31 December 2015 and 2016 and for the periods ended 31 May 2017 and 2018. No provision for PRC Corporate Income Tax has been made since the Target Company A has sufficient tax losses brought forward to set off against the assessable profit for the year ended 31 December 2017.

The reconciliation between the income tax expense and the (loss)/profit before tax multipled by the PRC enterprise income tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit before tax	(655)	(650)	1,750	(159)	(19,838)
Tax at domestic income tax rate of 25%	(164)	(163)	437	(40)	(4,960)
Tax losses not recognised	164	163	–	40	4,960
Income tax expense	–	–	437	–	–

13. (LOSS)/PROFIT FOR THE YEARS/PERIOD

The Target Company A's (loss)/profit for the Relevant Periods is stated after charging the following:

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' emoluments	–	–	–	–	–
Staff costs					
– salaries, bonuses and allowances	–	–	578	–	–
– retirement benefits contributions	–	–	307	–	–
– other staff costs	–	–	1	–	–
Total staff costs, including directors' remunerations	–	–	886	–	–

14. DIVIDENDS

The directors of the Target Company A do not recommend the payment of any dividend in respect of the Relevant Periods.

15. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognised by the Target Company A.

	Tax Losses
	RMB'000
At 1 January 2015, 31 December 2015 and 2016	437
Charged to profit or loss	(437)
At 31 December 2017, 1 January 2018 and 31 May 2018	–

As at 31 May 2018, the Target Company A has unused tax losses of RMB965,000 (31 December 2017: RMB798,000, 31 December 2016: RMB3,750,000, 31 December 2015: RMB3,105,000) available for offset against future profits. No deferred tax assets have been recognised as at 31 December 2015, 2016, 2017 and 31 May 2018 in respect of these tax losses due to the unpredictability of future income stream. As at 31 May 2018, included in unrecognised tax losses are losses of RMB167,000 (31 December 2017: RMBNil, 31 December 2016: RMB645,000, 31 December 2015: RMB153,000) will expire in 2023 (31 December 2017: 2022, 31 December 2016: 2021, 31 December 2015: 2020).

16. PROPERTY FOR SALE UNDER DEVELOPMENT

All of the properties for sale under development are located in the PRC and stated at cost.

17. ACCRUALS AND OTHER PAYABLES

	At 31 December			At 31 May
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued land costs *(Note)*	323,415	323,415	36,780	36,780
Other tax payables	163	163	163	–
	323,578	323,578	36,943	36,780

Note:

Under the terms of construction land use right transfer contract and supplementary agreements, the land cost should be paid on or before 7 August 2011.

18. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company, Wuxi Dangerous Housing Transformation Investment Management Co., Limited*, is unsecured, 8% per annum and repayable on demand. Upon the completion of Baohua Real Estates (Wuxi) Co., Limited acquisition agreement, the amount due to a related company would be fully repaid by Baohua Real Estates Management (China) Co., Ltd.

* The English name is a translation of its Chinese name and included herein for identification purpose only.

19. AMOUNTS DUE TO SHAREHOLDERS

The amounts due to shareholders are unsecured, 8% per annum and repayable on demand. Upon the completion of Baohua Wuxi acquisition agreement, the amounts due to shareholders would be fully repaid by Baohua Real Estates Management (China) Co., Ltd.

20. CAPITAL

	RMB'000
At 1 January 2015, 31 December 2015, 2016, 2017 and 31 May 2018	10,000

The Target Company A's objectives when managing capital are to safeguard the Target Company A's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

21. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Target Company A's changes in liabilities arising from financing activities during the year:

	Amount due to a related company	Amounts due to shareholders	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2015	179,800	219,843	399,643
Changes in cash flows	–	(1,201)	(1,201)
Non-cash changes			
– interest charged	12,400	11,907	24,307
At 31 December 2015 and 1 January 2016	192,200	230,549	422,749
Changes in cash flows	–	1,201	1,201
Non-cash changes			
– interest charged	12,400	11,907	24,307
At 31 December 2016 and 1 January 2017	204,600	243,657	448,257
Changes in cash flows	–	288,417	288,417
Non-cash changes			
– interest charged	12,400	29,751	42,151
At 31 December 2017 and 1 January 2018	217,000	561,825	778,825
Changes in cash flows	–	–	–
Non-cash changes			
– interest charged	5,096	14,575	19,671
At 31 May 2018	222,096	576,400	798,496

22. CONTINGENT LIABILITIES

At the end of each reporting period, the Target Company A did not have any significant contingent liabilities.

23. RELATED PARTY TRANSACTIONS

(a) Related parties of the Target Company A

The director consider that the following entities are related parties of the Target Company A:

Name of related party	Relationship with the Target Company A
Wuxi City Development Group Co., Limited* 無錫城市發展集團有限公司	The ultimate holding company of the Target Company A.
Wuxi Real Estate Development Group Co., Limited* 無錫市房地產開發集團有限公司	The immediate holding company of the Target Company A.
Wuxi City Investment and Development Co., Limited* 無錫市城市投資發展有限公司	The immediate holding company of the Target Company A.
Wuxi Dangerous Housing Transformation Investment Management Co., Limited* 無錫市危舊房改造投資管理有限公司	A subsidiary controlled by the ultimate holding company of the Target Company A.

* The English name is a translation of its Chinese name and included herein for identification purpose only.

(b) Significant related party transactions

Other than the balances with related parties as disclosed elsewhere in the Historical Financial Information, the Target Company A had the following transactions with its related parties during the Relevant Periods.

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings paid to a related company	12,400	12,400	12,400	5,096	5,096
Interest on borrowings paid to shareholders	11,907	11,907	29,751	10,753	14,575

24. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company A in respect of any period subsequent to 31 May 2018.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAJUN INTERNATIONAL GROUP LIMITED (FORMERLY KNOWN AS HUAJUN HOLDINGS LIMITED)

Introduction

We report on the historical financial information of Wuxi Huiyuan Real Estate Co., Limited* (the "**Target Company B**") set out on pages II(B)-4 to II(B)-34, which comprises the statements of financial position of the Target Company B as at 31 December 2015, 2016, 2017 and 31 May 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2015, 2016 and 2017 and five months ended 31 May 2018 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 24 September 2018 in connection with the proposed acquisition of the entire equity interest in the Target Company B.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company B are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company B's financial position as at 31 December 2015, 2016 and 2017 and 31 May 2018 of the Target Company B's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company B which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the five months ended 31 May 2017 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company B are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the Historical Financial Information which mentions that as at 31 May 2018, the Target Company B had net current liabilities of RMB243,410,000. This condition indicates a material uncertainty which may cast significant doubt on the Target Company B's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II(B)-4 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084

Hong Kong, 24 September 2018

* The English name is a translation of its Chinese name of 無錫市惠遠置業有限公司 and included herein for identification purpose only.

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY B

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Wuxi Huiyuan Real Estate Co., Limited* (the "**Target Company B**") was incorporated on 24 May 2007 in the People's Republic of China (the "**PRC**") with limited liability and engaged in real estate associated business.

The Target Company B has adopted 31 December as the financial year end date.

The statutory financial statements of the Target Company B for each of the three years ended 31 December 2015, 2016 and 2017 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the Jiangsu Jinling Certified Public Accountants Co., Ltd. (江蘇金陵會計師事務所有限公司), certified public accountants registered in the PRC.

The directors of the Target Company B have prepared the financial statements of the Target Company B for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**Underlying Financial Statements**"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* The English name is a translation of its Chinese name of 無錫市惠遠置業有限公司 and included herein for identification purpose only.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2015	2016	2017	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	9	34,865	41,260	8,022	4,482	–
Cost of sales		(34,586)	(39,486)	(8,022)	(4,482)	–
Gross profit		279	1,774	–	–	–
Other income	10	5,709	5,844	6,550	2,258	1,692
Fair value change of investment properties		820	900	1,540	642	9,510
Selling expenses		(443)	(131)	(1)	–	(46)
Administrative expenses		(4,091)	(2,922)	(2,343)	(1,192)	(737)
Profit from operations		2,274	5,465	5,746	1,708	10,419
Finance costs	12	(27,420)	(26,337)	(24,667)	(10,278)	(1,685)
(Loss)/Profit before tax		(25,146)	(20,872)	(18,921)	(8,570)	8,734
Income tax expenses	13	(1,027)	(1,274)	(602)	(254)	(2,378)
(Loss)/Profit and total comprehensive (expenses)/income for the years/periods	14	(26,173)	(22,146)	(19,523)	(8,824)	6,356

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	At 31 May 2018 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	465	176	162	162
Investment properties	17	255,840	256,740	258,280	267,790
		256,305	256,916	258,442	267,952
CURRENT ASSETS					
Property held-for-sale	18	78,160	38,674	30,651	30,651
Prepayments, deposits and other receivables		3,261	3,598	2,575	2,787
Amount due from a shareholder	19	72,333	48,678	45,309	–
Amount due from a related company	22	–	–	–	1,690
Bank and cash balances		3,277	6,946	14,755	9,560
		157,031	97,896	93,290	44,688
CURRENT LIABILITIES					
Trade payables	20	9,239	750	292	10
Accruals and other payables		284	526	587	691
Contract liabilities	21	4,578	3,027	5,926	7,706
Amounts due to related companies	22	267,350	250,563	274,119	–
Amount due to a shareholder	19	–	–	–	224,691
Bank loan	23	75,000	65,000	55,000	55,000
Current tax liabilities		18	–	–	–
		356,469	319,866	335,924	288,098
NET CURRENT LIABILITIES		(199,438)	(221,970)	(242,634)	(243,410)
TOTAL ASSETS LESS CURRENT LIABILITIES		56,867	34,946	15,808	24,542
NON-CURRENT LIABILITY					
Deferred tax liabilities	24	17,795	18,020	18,405	20,783
		17,795	18,020	18,405	20,783
NET ASSETS/(LIABILITIES)		39,072	16,926	(2,597)	3,759
CAPITAL AND RESERVE					
Capital	25	180,000	180,000	180,000	180,000
Reserves		(140,928)	(163,074)	(182,597)	(176,241)
TOTAL EQUITY		39,072	16,926	(2,597)	3,759

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	180,000	(114,755)	65,245
Loss and total comprehensive expenses for the year	–	(26,173)	(26,173)
At 31 December 2015 and 1 January 2016	180,000	(140,928)	39,072
Loss and total comprehensive expenses for the year	–	(22,146)	(22,146)
At 31 December 2016 and 1 January 2017	180,000	(163,074)	16,926
Loss and total comprehensive expenses for the year	–	(19,523)	(19,523)
At 31 December 2017 and 1 January 2018	180,000	(182,597)	(2,597)
Profit and total comprehensive income for the period	–	6,356	6,356
At 31 May 2018	180,000	(176,241)	3,759
At 1 January 2017	180,000	(163,074)	16,926
Loss and total comprehensive expenses for the period (unaudited)	–	(8,824)	(8,824)
At 31 May 2017 (unaudited)	180,000	(171,898)	8,102

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash flows from operating activities					
(Loss)/Profit before tax	(25,146)	(20,872)	(18,921)	(8,570)	8,734
Adjustments for:					
Interest income	(22)	(24)	(46)	(7)	(10)
Depreciation	1,023	289	14	9	–
Loss on disposal of investment at fair value through profit or loss	319	–	–	–	–
Fair value change of investment properties	(820)	(900)	(1,540)	(642)	(9,510)
Finance costs	27,420	26,337	24,667	10,278	1,685
Operating profit before working capital changes	2,774	4,830	4,174	1,068	899
Change in property held-for-sale	34,586	39,486	8,023	3,188	–
Change in prepayments, deposits and other receivables	628	(337)	1,023	1,019	(212)
Change in amount due from a shareholder	(44,182)	23,655	3,369	3,369	–
Change in trade payables	(11,012)	(8,489)	(458)	546	(282)
Change in accruals and other payables	(380)	242	61	(363)	(391)
Change in contract liabilities	(3,367)	(1,551)	2,899	189	1,780
Cash (used in)/generated from operations	(20,953)	57,836	19,091	9,016	1,794
Income tax paid	(1,044)	(1,067)	(217)	(49)	–
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	(21,997)	56,769	18,874	8,967	1,794

	Year ended 31 December			Five months ended 31 May	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Cash flows from investing activities					
Interest received	22	24	46	7	10
Proceeds from the disposal of investment at fair value through profit or loss	181	–	–	–	–
NET CASH GENERATED FROM INVESTING ACTIVITIES	203	24	46	7	10
Cash flows from financing activities					
Bank loan raised	75,000	–	–	–	–
Repayment of bank loan	–	(10,000)	(10,000)	–	–
Advance from a shareholder	–	–	–	–	270,000
(Repayment to)/advance from related companies	(50,114)	(35,178)	5,000	13,700	(275,809)
Interest paid	(10,158)	(7,946)	(6,111)	(10,278)	(1,190)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	14,728	(53,124)	(11,111)	3,422	(6,999)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(7,066)	3,669	7,809	12,396	(5,195)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	10,343	3,277	6,946	6,946	14,755
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	3,277	6,946	14,755	19,342	9,560
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	3,277	6,946	14,755	19,342	9,560

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company B was incorporated in the PRC with limited liability on 24 May 2007. The address of its registered office and principal place of business is 無錫市南長區五愛家園85號.

The Target Company B is principally engaged in real estate associated business in the PRC.

In the opinion of the directors of the Target Company B, as at 31 May 2018, Wuxi City Development Group Co., Limited (無錫城市發展集團有限公司) is the ultimate holding company of the Target Company B.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 5 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. GOING CONCERN BASIS

As at 31 May 2018, the Target Company B has net current liabilities of RMB243,410,000. This condition indicates a material uncertainty which may cast significant doubt on the Target Company B's ability to continue as a going concern.

The Historical Financial Information has been prepared on a going concern basis. In preparing the Historical Financial Information, the directors of the Target Company B have reviewed the Target Company B's financial and liquidity position, and taken into consideration the following factors:

– if the Target Company B becomes a subsidiary of Huajun International Group Limited (formerly known as Huajun Holdings Limited), Huajun International Group Limited will make available to the Target Company B whatever financial support is required to enable the Target Company B to meet in full its financial obligations as they fall due for a period of twelve months from the date of this Historical Financial Information; and

– cost control measures; and

– possible additional external funding.

The directors of the Target Company B believe that, taking into account the above factors, the Target Company B will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, and accordingly, have prepared the Historical Financial Information on a going concern basis.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company B had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations.

The Target Company B has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company B has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results of operations and financial position of the Target Company B.

5. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at their fair values. The Historical Financial Information is presented in Renminbi ("**RMB**") and all figures are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in Note 6 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company B and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	33.3%
Computer and office equipment	33.3%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment properties are stated at their fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment properties are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company B becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company B transfers substantially all the risks and rewards of ownership of the assets; or the Target Company B neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target Company B are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Target Company B recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target Company B measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Target Company B measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company B's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company B after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company B has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company B are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Target Company B recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Target Company B's performance;

– the Target Company B's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Target Company B's performance does not create an asset with an alternative use to the Target Company B and the Target Company B has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Delivery takes place on the date when the property buyers sign the delivery documents. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the statement of financial position as "Contract liabilities" under current liabilities.

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Target Company B participates in a defined contribution retirement scheme organised by the government in the PRC. The Target Company B is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Company B can no longer withdraw the offer of those benefits and when the Target Company B recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Company B that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company B's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in a subsidiary, except where the Target Company B is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Target Company B whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company B intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

Related parties

A related party is a person or entity that is related to the Target Company B.

(A) A person or a close member of that person's family is related to the Target Company B if that person:

(i) has control or joint control over the Target Company B;

(ii) has significant influence over the Target Company B; or

(iii) is a member of the key management personnel of the Target Company B or of a parent of the Target Company B.

(B) An entity is related to the Target Company B if any of the following conditions applies:

(i) The entity and the Target Company B are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company B or an entity related to the Target Company B. If the Target Company B is itself such a plan, the sponsoring employers are also related to the Target Company B.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company B or to a parent of the Target Company B.

Impairment of assets

At the end of each reporting period, the Target Company B reviews the carrying amounts of its tangible assets except investment properties to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company B estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company B's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

6. CRITICAL JUDGMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Company B have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

(a) Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the factors explained in note 3 to the Historical Financial Information.

(b) Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the directors have reviewed the Target Company B's investment property portfolios and concluded that the Target Company B's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Target Company B's deferred tax for investment properties, the directors of the Target Company B have determined that the presumption that investment properties measured using the fair value model are recovered through sale.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Fair values of investment properties

The Target Company B appointed an independent professional valuer to assess the fair values of the investment properties. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

(b) Land appreciation tax

The Target Company B is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Target Company B have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Target Company B recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

(c) Determination of net realisable value of property held-for-sale

Property held-for-sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB78,160,000, RMB38,674,000, RMB30,651,000 and RMB30,651,000 as at 31 December 2015, 2016, 2017 and 31 May 2018 respectively. Cost, including the cost of land, development expenditure, borrowing costs capitalised in accordance with the Target Company B's accounting policy and other attributable expenses, are allocated to each unit in each phase based on sellable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

7. FINANCIAL RISK MANAGEMENT

The Target Company B's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Company B's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company B's financial performance.

(a) Foreign currency risk

The Target Company B has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi. The Target Company B currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Company B will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of the prepayments, deposits and other receivables, amount due from a shareholder, amount due from a related company and bank and cash balances included in the statements of financial position represent the Target Company B's maximum exposure to credit risk in relation to the Target Company B's financial assets.

The Target Company B has no significant concentration of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history.

Amount due from a shareholder and amount due from a related company are closely monitored by the directors.

The credit risk on bank and cash balances is limited because the counterparties are banks with good reputation.

The Target Company B considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Target Company B. The Target Company B normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Target Company B, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(c) Liquidity risk

The Target Company B's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Target Company B's financial liabilities are due within one year.

(d) Interest rate risk

As the Target Company B has no significant interest-bearing assets and liabilities, the Target Company B's operating cash flows are substantially independent of changes in market interest rates.

The Target Company B's exposure to the cash flow interest rate risk relates primarily to the interest-bearing borrowings with floating interest rates. The effective interest rates and terms of repayment of the interest-bearing borrowings of the Target Company B are disclosed in Note 23 to the Historical Financial Information.

A reasonable possible change of 10 basis points in interest rates would have no material impact on the Target Company B's loss and equity for the Relevant period.

(e) Categories of financial instruments

	Year ended 31 December			**31 May**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Loans and receivables (including cash and cash equivalents)	78,336	58,094	62,003	12,347
Financial liabilities:				
Financial liabilities at amortised cost	351,873	316,839	329,790	280,184

(f) Fair values

The carrying amounts of the Target Company B's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

8. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Target Company B can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Target Company B's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 31 December 2015, 2016, 2017 and 31 May 2018:

Recurring fair value measurements:	**Fair value measurements using: Level 3** *RMB'000*
At 31 December 2015	
Investment properties – the PRC	255,840
At 31 December 2016	
Investment properties – the PRC	256,740
At 31 December 2017	
Investment properties – the PRC	258,280
At 31 May 2018	
Investment properties – the PRC	267,790

(b) Reconciliation of assets measured at fair value based on level 3:

	Investment properties
	RMB'000
At 1 January 2015	255,020
Total gains or losses recognised in profit or loss	820
At 31 December 2015 and 1 January 2016	255,840
Total gains or losses recognised in profit or loss	900
At 31 December 2016 and 1 January 2017	256,740
Total gains or losses recognised in profit or loss	1,540
At 31 December 2017 and 1 January 2018	258,280
Total gains or losses recognised in profit or loss	9,510
At 31 May 2018	267,790

During the Relevant Periods, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3.

The total gains or losses recognised in profit or loss are presented in fair value change of investment properties in the statement of profit or loss and other comprehensive income.

(c) Disclosure of valuation process used by the Target Company B and valuation techniques and inputs used in fair value measurements at 31 December 2015, 2016, 2017 and 31 May 2018:

The Target Company B's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

For level 3 fair value measurements, the Target Company B will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The valuations of investment properties in the PRC were based on the income capitalisation approach which capitalised the net income of the properties and takes into account the significant adjustments on term yield to account for the risk upon reversion.

Level 3 fair value measurements

31 December 2015

Description	**Valuation technique**	**Unobservable Inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value**
					RMB'000
Investment properties – the PRC	Term and reversion method	Capitalisation rate	2% – 4%	Decrease	255,840
		Market rent	RMB psm 31 – 32	Increase	

31 December 2016

Description	**Valuation technique**	**Unobservable Inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value**
					RMB'000
Investment properties – the PRC	Term and reversion method	Capitalisation rate	2% – 4%	Decrease	256,740
		Market rent	RMB psm 31 – 32	Increase	

31 December 2017

Description	**Valuation technique**	**Unobservable Inputs**	**Range**	**Effect on fair value for increase of inputs**	**Fair value**
					RMB'000
Investment properties – the PRC	Term and reversion method	Capitalisation rate	2% – 4%	Decrease	258,280
		Market rent	RMB psm 31 – 32	Increase	

31 May 2018

Description	Valuation technique	Unobservable Inputs	Range	fair value for increase of inputs	Fair value
					RMB'000
Investment properties – the PRC	Term and reversion method	Capitalisation rate	2% - 4%	Decrease	267,790
		Market rent	RMB psm 34 - 46	Increase	

During the Relevant Periods, there were no changes in the valuation techniques used.

9. REVENUE

The Target Company B's revenue for the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of properties	36,935	42,868	8,080	4,519	–
Less: Taxes and surcharges	(2,070)	(1,608)	(58)	(37)	–
	34,865	41,260	8,022	4,482	–

All revenue is recognised at a point in time.

10. OTHER INCOME

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Rental income from investment properties	5,622	5,147	6,159	2,095	1,682
Service fee income	–	660	345	156	–
Sundry income	65	13	–	–	–
Interest income	22	24	46	7	10
	5,709	5,844	6,550	2,258	1,692

11. SEGMENT INFORMATION

The Target Company B's operating segment is property development in the PRC. Since this is the only operating segment of the Target Company B, no further analysis thereof is presented.

The Target Company B's operation and operating assets are substantially located in the PRC. Accordingly, no geographical segment information is presented.

There is no single customer or a group of customers under common control which contributed over 10% of the Target Company B's revenue during the Relevant Period.

12. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings	27,420	26,337	24,667	10,278	1,685

13. INCOME TAX EXPENSES

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC Corporate Income Tax	–	–	–	–	–
PRC Land Appreciation Tax	822	1,049	217	94	–
	822	1,049	217	94	–
Deferred tax *(Note 24)*	205	225	385	160	2,378
	1,027	1,274	602	254	2,378

No provision for PRC Corporate Income Tax is required since the Target Company B has no assessable profit during the Relevant Periods.

The reconciliation between the income tax expense and the loss before tax multiplied by PRC enterprise income tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit before tax	(25,146)	(20,872)	(18,921)	(8,570)	8,734
Tax at domestic income tax rate of 25%	(6,287)	(5,218)	(4,730)	(2,143)	2,184
PRC Land Appreciation Tax	822	1,049	217	94	–
Tax losses not recognised	6,492	5,443	5,115	2,303	194
Income tax expense	1,027	1,274	602	254	2,378

14. (LOSS)/PROFIT FOR THE YEAR/PERIOD

The Target Company B's (loss)/profit for the Relevant Periods is stated after charging the following:

	Year ended 31 December			Five months ended 31 May	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' emoluments	149	188	120	102	–
Depreciation	1,023	289	14	9	–
Loss on disposals of investment at fair value through profit or loss	319	–	–	–	–
Cost of properties sold	34,586	39,486	8,022	4,482	–
Staff costs					
– salaries, bonuses and allowances	791	885	621	530	–
– retirement benefits contributions	520	510	377	278	–
Total staff costs, including directors' remunerations	1,311	1,395	998	808	–

15. DIVIDENDS

The directors of the Target Company B do not recommend the payment of any dividend in respect of the Relevant Periods.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *RMB'000*	Computer and office equipment *RMB'000*	Total *RMB'000*
Cost			
At 1 January 2015, 31 December 2015, 31 December 2016, 31 December 2017 and 31 May 2018	3,232	14	3,246
Accumulated depreciation			
At 1 January 2015	1,744	14	1,758
Provided for the year	1,023	–	1,023
At 31 December 2015 and 1 January 2016	2,767	14	2,781
Provided for the year	289	–	289
At 31 December 2016 and 1 January 2017	3,056	14	3,070
Provided for the year	14	–	14
At 31 December 2017, 1 January 2018 and 31 May 2018	3,070	14	3,084
Carrying amount			
At 31 May 2018	162	–	162
At 31 December 2017	162	–	162
At 31 December 2016	176	–	176
At 31 December 2015	465	–	465

17. INVESTMENT PROPERTIES

	Investment properties
	RMB'000
Fair value	
At 1 January 2015	255,020
Increase in fair value recognised in profit or loss	820
At 31 December 2015 and 1 January 2016	255,840
Increase in fair value recognised in profit or loss	900
At 31 December 2016 and 1 January 2017	256,740
Increase in fair value recognised in profit or loss	1,540
At 31 December 2017 and 1 January 2018	258,280
Increase in fair value recognised in profit or loss	9,510
At 31 May 2018	267,790

At the end of each reporting period, the investment properties were revalued by Avista Valuation Advisory Limited, independent professional qualified valuers, on the market value basis and taking into account the net rental income of the properties derived from the existing leases and allowing for reversionary potential.

At 31 May 2018, the carrying amount of investment properties pledged as security to obtain the bank facilities of the Target Company B amounted to approximately RMB190,257,000 (31 December 2017: RMB182,757,000, 31 December 2016: RMB181,874,000, 31 December 2015: RMB181,571,000).

18. PROPERTY HELD-FOR-SALE

All of the properties held for-sale are located in the PRC and stated at cost.

At 31 May 2018 the carrying amount of property held-for-sale pledged as security to obtain the bank facilities of the Target Company B amounted to approximately RMB884,000 (31 December 2017: RMB884,000, 31 December 2016: RMB884,000, 31 December 2015: RMB884,000).

19. AMOUNT DUE FROM/(TO) A SHAREHOLDER

	Year ended 31 December			At 31 May
Name	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wuxi Real Estate Development Group Co., Limited* 無錫市房地產開發集團有限公司	72,333	48,678	45,309	(224,691)

All the above amount are unsecured, interest-free and has no fixed repayment terms. Upon the completion of Wuxi Huiyuan acquisition agreement, the amount due to a shareholder would be fully waived by Baohua Real Estates Management (China) Co., Ltd.

* The English name is a translation of its Chinese name and included herein for identification purpose only.

20. TRADE PAYABLES

The aging analysis of trade payables, based on the invoice date, is as follows:

	Year ended 31 December			At 31 May
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	8,920	491	–	–
91- 180 days	207	–	–	–
181 days-365 days	–	14	47	–
Over 365 days	112	245	245	10
	9,239	750	292	10

The credit period on trade payable is normally within 90 days to 365 days from the invoice date during the Relevant Periods.

21. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	At 1 January		At 31 December		At 31 May
	2015	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	7,945	4,578	3,027	5,926	7,706

	At 31 December			At 31 May
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year/period	4,556	3,746	410	–

Significant changes in contract liabilities during the year/period:

	At 31 December			At 31 May
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase due to operations in the year/period	1,189	2,195	3,309	1,780
Transfer of contract liabilities to revenue	(4,556)	(3,746)	(410)	–

A contract liability represents the Target Company B's obligation to transfer products or services to a customer for which the Target Company B has received consideration (or an amount of consideration is due) from the customer.

22. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

Amounts due from/(to) related companies are unsecured, bearing interest at 5.7% to 11.2% per annum and repayable on demand. Upon the completion of Wuxi Huiyuan acquisition agreement, the amount due from a related company would be fully waived.

23. BANK LOAN

	Year ended 31 December			At 31 May
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank loan	75,000	65,000	55,000	55,000

All borrowing is repayable on demand or within one year.

The average interest rates of the bank loan were as follow:

	Year ended 31 December			At 31 May
	2015	**2016**	**2017**	**2018**
Average interest rates	7.0%	6.3%	6.0%	6.0%

The Target Company B pledged the following assets held by the Target Company B to banks for the borrowing granted to the Target Company B:

	Year ended 31 December			At 31 May
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment properties	181,571	181,874	182,757	190,257
Property held for sale	884	884	884	884

Bank loan guaranteed by Wuxi Real Estate Development Group Co., Limited (無錫市房地產開發集團有限公司), a shareholder of the Target Company B in Relevant Periods.

24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Target Company B.

	Fair value change of investment properties
	RMB'000
At 1 January 2015	17,590
Charged to profit or loss	205
At 31 December 2015 and 1 January 2016	17,795
Charged to profit or loss	225
At 31 December 2016 and 1 January 2017	18,020
Charged to profit or loss	385
At 31 December 2017 and 1 January 2018	18,405
Charged to profit or loss	2,378
At 31 May 2018	20,783

As at 31 May 2018, the Target Company B has unused tax losses of RMB101,935,000 (31 December 2017: RMB152,867,000, 31 December 2016: RMB169,075,000, 31 December 2015: RMB160,479,000) available for offset against future profits. No deferred tax assets have been recognised as at 31 December 2016, 2017 and 31 May 2018 in respect of these tax losses due to the unpredictability of future income stream. As at 31 May 2018, included in unrecognised tax losses are losses of RMB2,008,000 (31 December 2017: RMB22,902,000, 31 December 2016: RMB8,596,000) will expire in 2023 (31 December 2017: 2022, 31 December 2016: 2021, 31 December 2015: 2020).

25. CAPITAL

	RMB'000
At 1 January 2015, 31 December 2015, 31 December 2016, 31 December 2017 and 31 May 2018	180,000

The Target Company B's objectives when managing capital are to safeguard the Target Company B's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

26. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Target Company B's changes in liabilities arising from financing activities during the year:

	Bank loan	Amount due to a shareholder	Amounts due to related companies	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note)		
At 1 January 2015	–	–	300,202	300,202
Changes in cash flows	75,000	–	(57,038)	17,962
Non-cash changes				
– interest charged	–	–	24,186	24,186
At 31 December 2015 and 1 January 2016	75,000	–	267,350	342,350
Changes in cash flows	(10,000)	–	(38,345)	(48,345)
Non-cash changes				
– interest charged	–	–	21,558	21,558
At 31 December 2016 and 1 January 2017	65,000	–	250,563	315,563
Changes in cash flows	(10,000)	–	2,734	(7,266)
Non-cash changes				
– interest charged	–	–	20,822	20,822
At 31 December 2017 and 1 January 2018	55,000	–	274,119	329,119
Changes in cash flows	–	270,000	(276,164)	(6,164)
Non-cash changes				
– interest charged	–	–	355	355
Effect of movement of amount due from a shareholder	–	(45,309)	–	(45,309)
Effect of movement of amount due from a related company	–	–	1,690	1,690
At 31 May 2018	55,000	224,691	–	279,691

Note:

The movement of amount due from a shareholder was trade in nature, which arising from operating activities during the years of 2015 to 2017.

27. CONTINGENT LIABILITIES

At the end of each reporting period, the Target Company B did not have any significant contingent liabilities.

28. RELATED PARTY TRANSACTIONS

(a) Related parties of the Target Company B

The director consider that the following entities are related parties of the Target Company B:

Name of related party	Relationship with the Target Company B
Wuxi City Development Group Co., Limited* 無錫城市發展集團有限公司	The ultimate holding company of the Target Company B.
Wuxi Real Estate Development Group Co., Limited* 無錫市房地產開發集團有限公司	The immediate holding company of the Target Company B.
Wuxi City Home Real Estate Guarantee Co., Limited* 無錫市住房置業擔保有限公司	A subsidiary controlled by the ultimate holding company of the Target Company B.
Wuxi Dangerous Housing Transformation Investment Management Co., Limited* 無錫市危舊房改造投資管理有限公司	A subsidiary controlled by the ultimate holding company of the Target Company B.

* The English name is a translation of its Chinese name and included herein for identification purpose only.

(b) Significant related party transactions

Other than the balances with related parties as disclosed elsewhere in the Historical Financial Information, the Target Company B had the following transactions with its related parties during the Relevant Periods.

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings paid to related companies	24,186	21,558	20,822	8,676	355
Service Fee income received from a related company	–	660	345	156	–

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company B in respect of any period subsequent to 31 May 2018.

The following is the text of a report prepared for the purpose of incorporation in this circular, received from ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAJUN INTERNATIONAL GROUP LIMITED (FORMERLY KNOWN AS HUAJUN HOLDINGS LIMITED)

Introduction

We report on the historical financial information of Baohua Real Estates (Jiangyin) Co., Limited * (the "**Target Company C**") set out on pages II(C)-4 to II(C)-31, which comprises the statements of financial position of the Target Company C as at 31 December 2015, 2016, 2017 and 31 May 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2015, 2016 and 2017 and five months ended 31 May 2018 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 24 September 2018 in connection with the proposed acquisition of the entire 55% equity interest in the Target Company C.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company C are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company C's financial position as at 31 December 2015, 2016, 2017 and 31 May 2018 and of the Target Company C's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company C which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the five months ended 31 May 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company C are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to note 3 to the Historical Financial Information which mentions that the Target Company C incurred loss of RMB3,176,000 for the period ended 31 May 2018 and as at 31 May 2018, the Target Company C had net current liabilities and net liabilities of RMB478,349,000 and RMB478,196,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Target Company C's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II(C)-4 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084

Hong Kong, 24 September 2018

* The English name is a translation of its Chinese name of 保華地產(江陰)有限公司 and included herein for identification purpose only.

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY C

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Baohua Real Estates (Jiangyin) Co., Limited* (the "**Target Company C**") was incorporated on 22 September 2009 in the People's Republic of China (the "**PRC**") with limited liability and engaged in real estate associated business.

The Target Company C has adopted 31 December as the financial year end date.

The statutory financial statements of the Target Company C for each of the three years ended 31 December 2015, 2016 and 2017 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the Jiangsu Jinling Certified Public Accountants Co., Ltd. (江蘇金陵會計師事務所有限公司), certified public accountants registered in the PRC.

The directors of the Target Company C have prepared the financial statements of the Target Company C for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* The English name is a translation of its Chinese name of 保華地產(江陰)有限公司 and included herein for identification purpose only.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2015	2016	2017	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*8*	229,438	115,375	42,611	20,115	3,863
Cost of sales		(229,438)	(115,375)	(42,611)	(20,115)	(3,569)
Gross profit		–	–	–	–	294
Other income	*9*	1,907	745	850	507	151
Selling expenses		(6,782)	(6,822)	(9,393)	(2,763)	(2,483)
Administrative expenses		(3,229)	(3,176)	(3,811)	(1,379)	(1,060)
Loss from operations		(8,104)	(9,253)	(12,354)	(3,635)	(3,098)
Finance costs	*11*	–	–	–	–	–
Loss before tax		(8,104)	(9,253)	(12,354)	(3,635)	(3,098)
Income tax expenses	*12*	(4,861)	(2,397)	(857)	(405)	(78)
Loss and total comprehensive expenses for the years/periods	*13*	(12,965)	(11,650)	(13,211)	(4,040)	(3,176)

STATEMENTS OF FINANCIAL POSITION

		Year ended 31 December			At 31 May
		2015	2016	2017	2018
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*15*	344	268	183	153
CURRENT ASSETS					
Properties for sale under development and properties held for sale	*16*	553,170	577,763	791,033	844,467
Prepayments, deposits and other receivables	*17*	19,544	24,202	22,538	22,687
Amount due from a related company	*18*	3,241	3,631	4,272	4,397
Pledged bank deposits	*19*	34,000	29,400	4,800	20,000
Bank and cash balances		11,246	15,930	21,769	14,084
		621,201	650,926	844,412	905,635
CURRENT LIABILITIES					
Trade and bills payables	*20*	171,485	163,049	213,646	196,799
Accruals and other payables		20,865	18,893	12,290	1,555
Contract liabilities	*21*	9,093	44,174	200,115	254,808
Current tax liabilities		6,208	5,237	2,836	2,032
Amounts due to related companies	*22*	–	66,650	77,864	90,870
Amounts due to shareholders	*23*	526,566	525,000	549,864	574,920
Secured borrowing	*24*	337,487	290,000	263,000	263,000
		1,071,704	1,113,003	1,319,615	1,383,984
NET CURRENT LIABILITIES		(450,503)	(462,077)	(475,203)	(478,349)
NET LIABILITIES		(450,159)	(461,809)	(475,020)	(478,196)
CAPITAL AND RESERVE					
Capital	*25*	100,000	100,000	100,000	100,000
Reserves		(550,159)	(561,809)	(575,020)	(578,196)
TOTAL EQUITY		(450,159)	(461,809)	(475,020)	(478,196)

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	100,000	(537,194)	(437,194)
Loss and total comprehensive expenses for the year	–	(12,965)	(12,965)
At 31 December 2015 and 1 January 2016	100,000	(550,159)	(450,159)
Loss and total comprehensive expenses for the year	–	(11,650)	(11,650)
At 31 December 2016 and 1 January 2017	100,000	(561,809)	(461,809)
Loss and total comprehensive expenses for the year	–	(13,211)	(13,211)
At 31 December 2017 and 1 January 2018	100,000	(575,020)	(475,020)
Loss and total comprehensive expenses for the period	–	(3,176)	(3,176)
At 31 May 2018	100,000	(578,196)	(478,196)
At 1 January 2017	100,000	(561,809)	(461,809)
Loss and total comprehensive expenses for the period (unaudited)	–	(4,040)	(4,040)
At 31 May 2017 (unaudited)	100,000	(565,849)	(465,849)

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Five months ended 31 May	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities					
Loss before tax	(8,104)	(9,253)	(12,354)	(3,635)	(3,098)
Adjustments for:					
Interest income	(1,020)	(393)	(742)	(413)	(51)
Depreciation	44	85	91	38	33
(Gain)/loss on disposals of property, plant and equipment	(782)	–	7	–	–
Operating loss before working capital changes	(9,862)	(9,561)	(12,998)	(4,010)	(3,116)
Change in property under development and property held-for-sale	111,608	7,237	(181,047)	(51,187)	(47,229)
Change in prepayments, deposits and other receivables	4,487	(4,658)	1,664	(89,123)	(149)
Change in amount due from a related company	(20)	(390)	(641)	(223)	(125)
Change in trade and bills payables	(248)	(8,436)	50,597	88,513	(16,847)
Change in accruals and other payables	(5,991)	(1,972)	(6,603)	(778)	(10,735)
Change in contract liabilities	(82,526)	35,081	155,941	62,386	54,693
Cash generated from/(used in) operations	17,448	17,301	6,913	5,578	(23,508)
Income tax paid	(2,140)	(3,368)	(3,258)	(997)	(882)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	15,308	13,933	3,655	4,581	(24,390)
Cash flows from investing activities					
(Increase)/decrease in pledged bank deposits	(4,000)	4,600	24,600	(19,290)	(15,200)
Interest received	1,020	393	742	413	51
Purchases of property, plant and equipment	(313)	(9)	(13)	(10)	(3)
Proceeds from disposal of property, plant and equipment	984	–	–	–	–

	Year ended 31 December			Five months ended 31 May	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(2,309)	4,984	25,329	(18,887)	(15,152)
Cash flows from financing activities					
Borrowings raised	45,000	290,000	–	–	–
Repayment of borrowings	(57,513)	(337,487)	(27,000)	–	–
(Repayment to)/advance from related companies	(6,386)	66,650	11,214	42,230	13,006
Advance from shareholders	3,000	8,500	19,720	–	27,360
Interest paid	(35,769)	(41,896)	(27,079)	(4,314)	(8,509)
NET CASH (USED IN)/ GENERATED FROM FINANCING ACTIVITIES	(51,668)	(14,233)	(23,145)	37,916	31,857
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(38,669)	4,684	5,839	23,610	(7,685)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	49,915	11,246	15,930	15,930	21,769
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	11,246	15,930	21,769	39,540	14,084
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	11,246	15,930	21,769	39,540	14,084

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company C was incorporated in the PRC with limited liability on 22 September 2009. The address of its registered office and principal place of business is 江陰市長山大道99-46號.

The Target Company C is principally engaged in real estate associated business in the PRC.

In the opinion of the directors of the Target Company C, as at 31 May 2018, Wuxi City Development Group Co., Limited (無錫城市發展集團有限公司) is the ultimate holding company of the Target Company C.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 5 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. GOING CONCERN BASIS

The Target Company C incurred loss of RMB3,176,000 for the period ended 31 May 2018 and as at 31 May 2018, the Target Company C had net current liabilities and net liabilities of RMB478,349,000 and RMB478,196,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Target Company C's ability to continue as a going concern.

The Historical Financial Information has been prepared on a going concern basis. In preparing the Historical Financial Information, the directors of the Target Company C have reviewed the Target Company C's financial and liquidity position, and taken into consideration the following factors:

– if the Target Company C becomes a subsidiary of Huajun International Group Limited, Huajun International Group Limited will make available to the Target Company C whatever financial support is required to enable the Target Company C to meet in full its financial obligations as they fall due for a period of twelve months from the date of this Historical Financial Information; and

– cost control measures; and

– possible additional external funding.

The directors of the Target Company C believe that, taking into account the above factors, the Target Company C will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, and accordingly, have prepared the Historical Financial Information on a going concern basis.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company C had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations.

The Target Company C has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company C has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material effect on the results of operations and financial position of the Target Company C.

5. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention. The Historical Financial Information is presented in Renminbi ("**RMB**") which is the Target Company C's functional and presentation currency and all figures are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in note 6 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company C and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	20%
Motor vehicle	25%
Computer and office equipment	10% – 33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company C becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company C transfers substantially all the risks and rewards of ownership of the assets; or the Target Company C neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target Company C are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Target Company C recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target Company C measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Target Company C measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company C's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company C after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company C has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company C are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Target Company C recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Target Company C's performance;

– the Target Company C's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Target Company C's performance does not create an asset with an alternative use to the Target Company C and the Target Company C has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Revenue from sale of properties in the ordinary course of business is recognised when the full payments have been made and the respective properties have been completed and delivered to the buyers. Delivery takes place on the date of collective delivery or execution of the formal sales and purchase agreement, whichever is earlier. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the statement of financial position as "Contract liabilities" under current liabilities.

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Target Company C participates in a defined contribution retirement scheme organised by the government in the PRC. The Target Company C is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Company C can no longer withdraw the offer of those benefits and when the Target Company C recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Company C that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company C's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in a subsidiary, except where the Target Company C is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company C intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

Related parties

A related party is a person or entity that is related to the Target Company C.

(A) A person or a close member of that person ' s family is related to the Target Company C if that person:

(i) has control or joint control over the Target Company C;

(ii) has significant influence over the Target Company C; or

(iii) is a member of the key management personnel of the Target Company C or of a parent of the Target Company C.

(B) An entity is related to the Target Company C if any of the following conditions applies:

(i) The entity and the Target Company C are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company C or an entity related to the Target Company C. If the Target Company C is itself such a plan, the sponsoring employers are also related to the Target Company C.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company C or to a parent of the Target Company C.

Impairment of assets

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company C's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historcial Finanical Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

6. CRITICAL JUDGMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Company C have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the factors explained in note 3 to the Historical Financial Information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Land appreciation tax

The Target Company C is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Target Company C have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Target Company C recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

(b) Determination of net realisable value of properties for sale under development and properties held for sale

Properties for sale under development and properties held for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB553,170,000, RMB577,763,000, RMB791,033,000 and RMB844,467,000 as at 31 December 2015, 2016, 2017 and 31 May 2018 respectively. Cost, including the cost of land, development expenditure, borrowing costs capitalised in accordance with the Target Company C's accounting policy and other attributable expenses, are allocated to each unit in each phase based on sellable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

7. FINANCIAL RISK MANAGEMENT

The Target Company C's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Company C's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company C's financial performance.

(a) Foreign currency risk

The Target Company C has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi. The Target Company C currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Company C will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of the amount due from a related company, pledged bank deposits, bank and cash balances and other receivables included in the statements of financial position represent the Target Company C's maximum exposure to credit risk in relation to the Target Company C's financial assets.

The Target Company C has no significant concentration of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amount due from a related company is closely monitored by the directors.

The credit risk on bank and cash balances and pledged bank deposits is limited because the counterparties are banks with good reputation.

The Target Company C considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Target Company C. The Target Company C normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Target Company C, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(c) Liquidity risk

The Target Company C's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Target Company C's financial liabilities are due within one year.

(d) Interest rate risk

As the Target Company C has no significant interest-bearing assets and liabilities, the Target Company C's operating cash flows are substantially independent of changes in market interest rates.

The Target Company C's exposure to the cash flow interest rate risk relates primarily to the interest-bearing borrowings with floating interest rates. The effective interest rates and terms of repayment of the interest-bearing borrowings of the Target Company C are disclosed in Note 24 to the Historical Financial Information.

For the Relevant Periods, if interest rates had been 10 basis points higher/lower with all other variables held constant, (loss)/profit after tax for the Relevant Periods would have been (increased)/decreased for the year ended 2015, 2016, 2017 and five months ended 31 May 2018 mainly as a result of changes in interest expenses and income on secured borrowings as follows:

	Year ended 31 December			Five months ended 31 May
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest rates – increase by 10 basis point	(253)	(218)	(197)	(197)
Interest rates – decrease by 10 basis point	253	218	197	197

(e) Categories of financial instruments

	Year ended 31 December			31 May
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortised cost (including cash and cash equivalents)	57,312	55,674	36,316	44,363
Financial liabilities:				
Financial liabilities at amortised cost	1,056,403	1,063,592	1,116,664	1,127,144

(f) Fair values

The carrying amounts of the Target Company C's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

8. REVENUE

The Target Company C's revenue for the Relevant Periods are as follows:

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of properties	243,049	119,878	42,868	20,237	3,886
Less: Taxes and surcharges	(13,611)	(4,503)	(257)	(122)	(23)
	229,438	115,375	42,611	20,115	3,863

Disaggregation of revenue from contracts with customers

For the years ended 31 December 2015, 2016 and 2017 and five months ended 31 May 2017 and 2018, all of timing of revenue recognition is at a point in time.

9. OTHER INCOME

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gain on disposals of property, plant and equipment	782	–	–	–	–
Recognition of deferred rental income	–	90	90	90	90
Sundry income	105	262	18	4	10
Interest income	1,020	393	742	413	51
	1,907	745	850	507	151

10. SEGMENT INFORMATION

The Target Company C's operating segment is property development in the PRC. Since this is the only operating segment of the Target Company C, no further analysis thereof is presented.

The Target Company C's operation and operating assets are substantially located in the PRC. Accordingly, no geographical segment information is presented.

There is no single customer or a group of customers under common control which contributed over 10% of the Target Company C's revenue during the Relevant Period.

11. FINANCE COSTS

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings	44,703	31,830	32,223	5,155	6,205
Amount capitalised	(44,703)	(31,830)	(32,223)	(5,155)	(6,205)
	–	–	–	–	–

12. INCOME TAX EXPENSES

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC Corporate Income Tax	–	–	–	–	–
PRC Land Appreciation Tax	4,861	2,397	857	405	78
	4,861	2,397	857	405	78

No provision for PRC Corporate Income Tax is required since the Target Company C has no assessable profit during the Relevant Periods.

As at 31 May 2018, the Target Company C has unused tax losses of RMB545,307,000 (31 December 2017: RMB538,327,000, 31 December 2016: RMB276,678,000, 31 December 2015: RMB103,005,000) available for offset against future profits. No deferred tax assets have been recognised as at 31 December 2015, 2016, 2017, and five months ended 31 May 2018 in respect of these tax losses due to the unpredictability of future income stream. As at 31 May 2018, included in unrecognised tax losses are losses of RMB10,891,000 (31 December 2017: RMB262,551,000, 31 December 2016: RMB185,003,000, 31 December 2015: RMB55,844,000) will expire in 2023 (31 December 2017: 2022, 31 December 2016: 2021, 31 December 2015: 2020).

The reconciliation between the income tax expense and the loss before tax multiplied by the PRC enterprise income tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before tax	(8,104)	(9,253)	(12,354)	(3,635)	(3,098)
Tax at domestic income tax rate of 25%	(2,026)	(2,313)	(3,089)	(909)	(775)
PRC Land Appreciation Tax	4,861	2,397	857	405	78
Tax losses not recognised	2,026	2,313	3,089	909	775
Income tax expense	4,861	2,397	857	405	78

13. LOSS FOR THE YEARS/PERIODS

The Target Company C's loss for the Relevant Periods is stated after charging/(crediting) the following:

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' emoluments	–	–	–	–	–
(Gain)/loss on disposals of property, plant and equipment	(782)	–	7	–	–
Depreciation	44	85	91	38	33
Cost of properties sold	229,438	115,375	42,611	20,115	3,569
Staff costs					
– salaries, bonuses and allowances	533	650	706	307	337
– other staff costs	53	61	117	54	71
– retirement benefits contributions	138	153	153	49	28
Total staff costs, including directors' remunerations	724	864	976	410	436

14. DIVIDENDS

The directors of the Target Company C do not recommend the payment of any dividend in respect of the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *RMB'000*	Motor vehicle *RMB'000*	Computer and office equipment *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2015	188	4,075	308	4,571
Additions	7	296	10	313
Disposals	–	(4,075)	–	(4,075)
At 31 December 2015 and 1 January 2016	195	296	318	809
Additions	–	–	9	9
At 31 December 2016 and 1 January 2017	195	296	327	818
Additions	–	–	13	13
Disposals	–	–	(144)	(144)
At 31 December 2017 and 1 January 2018	195	296	196	687
Additions	–	–	3	3
At 31 May 2018	195	296	199	690
Accumulated depreciation				
At 1 January 2015	155	3,872	267	4,294
Charge for the year	14	12	18	44
Disposals	–	(3,873)	–	(3,873)
At 31 December 2015 and 1 January 2016	169	11	285	465
Charge for the year	6	70	9	85
At 31 December 2016 and 1 January 2017	175	81	294	550
Charge for the year	7	70	14	91
Disposals	–	–	(137)	(137)
At 31 December 2017 and 1 January 2018	182	151	171	504
Charge for the period	1	29	3	33
At 31 May 2018	183	180	174	537
Carrying amount				
At 31 May 2018	12	116	25	153
At 31 December 2017	13	145	25	183
At 31 December 2016	20	215	33	268
At 31 December 2015	26	285	33	344

16. PROPERTY FOR SALE UNDER DEVELOPMENT AND PROPERTY HELD-FOR-SALE

Properties for sale under development and properties held for sale in the statement of financial position comprise:

	At 31 December			At 31 May
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties for sale under development	146,106	286,074	541,955	598,958
Properties held for sale	407,064	291,689	249,078	245,509
	553,170	577,763	791,033	844,467

All of the properties for sale under development and properties held-for-sale are located in the PRC. All the properties held-for-sale are stated at cost.

At 31 May 2018, the carrying amount of properties for sale under development and properties held-for-sale pledged as security to obtain the bank facilities of the Target Company C amounted to approximately RMB404,678,000 (31 December 2017: RMB320,151,000, 31 December 2016: RMB324,965,000, 31 December 2015: RMB194,788,000.)

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

				At 31 May
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for construction contracts	10,631	15,789	8,379	734
Prepayments	88	1,700	8,684	16,071
Deposits	282	350	350	350
Other receivables	8,543	6,363	5,125	5,532
	19,544	24,202	22,538	22,687

18. AMOUNT DUE FROM A RELATED COMPANY

	Year ended 31 December			At 31 May
Name	**2015**	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wuxi City Home Real Estate Guarantee Co., Limited* 無錫市住房置業擔保有限公司	3,241	3,631	4,272	4,397

All the above amounts are unsecured, interest-free and have no fixed repayment terms.

Maximum amounts outstanding due from a related company disclosed are as follows:

Name	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	At 31 May 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wuxi City Home Real Estate Guarantee Co., Limited* 無錫市住房置業擔保有限公司	3,241	3,631	4,272	4,397

* The English name is a translation of its Chinese name and included herein for identification purpose only.

19. PLEDGED BANK DEPOSITS

As at 31 December 2015, 2016, 2017, and five months ended 31 May 2018, The Target Company C's pledged bank deposits represented deposits pledged to banks to secure bank acceptance bills granted to the Target Company C as set out in note 20 to the Historical Financial Information. The deposits are in RMB at fixed interest rate of 1.30%, 1.30%, 1.30% and 1.30% at 31 December 2015, 2016, 2017 and five months ended 31 May 2018 respectively, per annum and therefore are subject to fair value interest rate risk.

20. TRADE AND BILLS PAYABLES

	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	At 31 May 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	148,985	148,649	208,846	176,799
Bills payables *(note (a))*	22,500	14,400	4,800	20,000
	171,485	163,049	213,646	196,799

The ageing analysis of the trade payables is as follows:

	Year ended 31 December 2015	Year ended 31 December 2016	Year ended 31 December 2017	At 31 May 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	118,027	90,614	184,100	161,057
91 – 180 days	399	874	4,070	2,386
181 – 365 days	3,208	38,595	3,687	3,550
Over 365 days	27,351	18,566	16,989	9,806
	148,985	148,649	208,846	176,799

The credit period on trade payable is normally within 90 days to 365 days from the invoice date during the Relevant Periods.

(a) Bills payables

Bills payables represented bank acceptance bills not matured.

As at 31 December 2015, 2016, 2017, and five months ended 31 May 2018, the Target Company C had paid out the bank acceptance bills amounting to RMB22,500,000, RMB14,400,000, RMB4,800,000 and RMB20,000,000 respectively. All of the bills payables of the Target Company as at 31 December 2015, 2016, 2017 and five months ended 31 May 2018 were secured by pledged bank deposits as set out in note 19 to the Historical Financial Information.

21. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	At 1 January 2015	At 31 December 2015	2016	2017	At 31 May 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	91,619	9,093	44,174	200,115	254,808

	At 31 December 2015	2016	2017	At 31 May 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year/period	87,561	6,128	4,401	1,438

Significant changes in contract liabilities during the year/period:

	At 31 December 2015	2016	2017	At 31 May 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase due to operations in the year/period	5,035	41,209	160,342	56,131
Transfer of contract liabilities to revenue	(87,561)	(6,128)	(4,401)	(1,438)

A contract liability represents the Company's obligation to transfer products or services to a customer for which the Target Company C has received consideration (or an amount of consideration is due) from the customer.

22. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies are mainly unsecured, bearing interest up to 8% per annum and repayable on demand.

23. AMOUNTS DUE TO SHAREHOLDERS

Amounts due to shareholders are mainly unsecured, bearing interest up to 6% per annum and repayable on demand.

24. SECURED BORROWINGS

	Year ended 31 December			At 31 May
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured other borrowings	337,487	–	–	–
Secured bank borrowings	–	290,000	263,000	263,000
	337,487	290,000	263,000	263,000

All borrowings are repayable on demand or within one year.

The average interest rates of the loan were as follow:

	Year ended 31 December			At 31 May
	2015	2016	2017	2018
Average interest rates	8.24%	5.95%	5.95%	5.95%

The Target Company C pledged the following assets held by the Target Company C for the borrowing granted to the Target Company C:

	Year ended 31 December			At 31 May
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties for sale under development and properties held-for-sale	194,788	324,965	320,151	404,678

As at 31 December 2015, 2016, 2017, all of the borrowings are guaranteed by Wuxi Real Estate Development Group Co., Limited (無錫市房地產開發集團有限公司) and Wuxi City Development Group Co., Limited (無錫城市發展集團有限公司), an immediate holding company and the ultimate holding company of the Target Company C.

On 4 April 2018, a banker of the Company, the Company, Wuxi Real Estate Development Group Co., Limited, Wuxi City Development Group Co., Limited, and Baohua Real Estate Management (China) Co., Ltd. (保華置業管理(中國)有限公司), entered into a five-party agreement, pursuant to which the guarantors of the Company's bank loan was transfer from Wuxi Real Estate Development Group Co., Limited and Wuxi City Development Group Co., Limited to Baohua Real Estate Management (China) Co., Ltd. and and Wuxi City Development Group Co., Limited.

25. CAPITAL

	RMB'000
At 1 January 2015, 31 December 2015, 2016, 2017 and 31 May 2018	100,000

The Target Company C's objectives when managing capital are to safeguard the Target Company C's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

26. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Target Company C's changes in liabilities arising from financing activities during the year:

	Secured borrowings	Amounts due to related companies	Amounts due to shareholders	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2015	350,000	6,386	514,632	871,018
Changes in cash flows	(12,513)	(6,386)	(3,933)	(22,832)
Non-cash changes				
– interest charged	–	–	15,867	15,867
At 31 December 2015 and 1 January 2016	337,487	–	526,566	864,053
Changes in cash flows	(47,487)	63,180	(8,205)	7,488
Non-cash changes				
– interest charged	–	3,470	6,639	10,109
At 31 December 2016 and 1 January 2017	290,000	66,650	525,000	881,650
Changes in cash flows	(27,000)	4,540	16,420	(6,040)
Non-cash changes				
– interest charged	–	6,674	8,444	15,118
At 31 December 2017 and 1 January 2018	263,000	77,864	549,864	890,728
Changes in cash flows	–	11,451	24,319	35,770
Non-cash changes				
– interest charged	–	1,555	737	2,292
At 31 May 2018	263,000	90,870	574,920	928,790

27. CAPITAL COMMITMENTS

The Target Company C's capital commitments at the end of each reporting period are as follows:

	Year ended 31 December			At 31 May
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction commitments in respect of properties under construction contracted for but not provided in the Historical Financial Information	337,056	454,785	291,595	140,000

28. CONTINGENT LIABILITIES

At the end of each reporting period, the Target Company C did not have any significant contingent liabilities.

29. RELATED PARTY TRANSACTIONS

(a) Related parties of the Target Company C

The directors consider that the following entities are related parties of the Target Company C:

Name of related party	Relationship with the Target Company C
Wuxi City Development Group Co., Limited* 無錫城市發展集團有限公司	The ultimate holding company of the Target Company C.
Wuxi Real Estate Development Group Co., Limited* 無錫市房地產開發集團有限公司	The immediate holding company of the Target Company C.
Wuxi City Investment and Development Co., Limited* 無錫市城市投資發展有限公司	The immediate holding company of the Target Company C.
Wuxi Chengfa Commercial Factoring Co., Limited* 無錫市城發商業保理有限公司	A subsidiary controlled by the ultimate holding company of the Target Company C.
Wuxi Liangxi River Management Co., Limited* 無錫市梁溪河整治投資管理有限公司	A subsidiary controlled by the ultimate holding company of the Target Company C.
Wuxi City Home Real Estate Guarantee Co., Limited* 無錫市住房置業擔保有限公司	A subsidiary controlled by the ultimate holding company of the Target Company C.
Wuxi Kinder Asset Management Co., Limited* 無錫金德資產管理有限公司	A shareholder of the Target Company C.
Yixing Zhongtang Properties Co., Limited* 宜興中堂置業有限公司	A shareholder of the Target Company C.
Jiangsu Zhongtang Property Co., Limited* 江蘇中堂置業有限公司	A subsidiary controlled by the shareholder of the Target Company C.
Wuxi Huiyuan Real Estate Co., Limited* 無錫市惠遠置業有限公司	A subsidiary controlled by the ultimate holding company of the Target Company C.

* The English name is a translation of its Chinese name and included herein for identification purpose only.

(b) Significant related party transactions

Other than the balances with related parties as disclosed elsewhere in the Historical Financial Information, the Target Company C had the following transactions with its related parties during the Relevant Periods.

	Year ended 31 December			Five months ended 31 May	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings paid to related companies	–	3,470	6,674	769	1,555
Interest on borrowings paid to shareholders	15,867	6,639	8,444	3,000	737
Service fee paid to related companies	500	2,407	1,909	–	–
Service fee paid to shareholders	–	200	920	–	–

30. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company C in respect of any period subsequent to 31 May 2018.

Set out below is the management discussion and analysis of the Target Companies, which is based on the financial information of the Target Companies as set out in Appendix II (A), Appendix II (B), and Appendix II (C) to this circular.

BUSINESS OVERVIEW

The Target Companies comprise Baohua Wuxi, Wuxi Huiyuan, and Baohua Jiangyin. Each of the Target Companies is established in the PRC with limited liability and is principally engaged in real estate associated business.

FINANCIAL REVIEW

(A) Baohua Wuxi

(i) Comparison for the five months ended 31 May 2018 to the five months ended 31 May 2017

No revenue was generated for each of the five months ended 31 May 2018 and 2017 because the property for sale is under development.

The increase in administrative expenses from RMB163,000 for the five months ended 31 May 2017 to RMB171,000 for the five months ended 31 May 2018 was mainly due to increase of staff cost.

The increase in finance costs approximately of RMB19,671,000 for the five months ended 31 May 2018 was mainly due to increase in interest on borrowings.

(ii) Comparison for the year ended 31 December 2017 to the year ended 31 December 2016

Baohua Wuxi did not generate any revenue for each of the two years ended 31 December 2017 because the property for sale is under development.

The increase in other income from RMB13,000 for the year ended 31 December 2016 to RMB3,298,000 for the year ended 31 December 2017 was mainly due to increase in bank interest income.

The increase in administrative expenses from RMB663,000 for the year ended 31 December 2016 to RMB1,548,000 for the year ended 31 December 2017 was mainly due to increase of staff cost.

(iii) Comparison for the year ended 31 December 2016 to the year ended 31 December 2015

Baohua Wuxi did not generate any revenue for each of the two years ended 31 December 2016 because the property for sale is under development.

The decrease in other income from RMB21,000 for the year ended 31 December 2015 to RMB13,000 for the year ended 31 December 2016 was mainly due to decrease in bank interest income.

The decrease in administrative expenses from RMB676,000 for the year ended 31 December 2015 to RMB663,000 for the year ended 31 December 2016 was mainly due to decrease in entertainment expenses.

(B) Wuxi Huiyuan

(i) Comparison for the five months ended 31 May 2018 to the five months ended 31 May 2017

No revenue was recorded for the five months ended 31 May 2018, as compared with that of approximately RMB4.48 million for the five months ended 31 May 2017. No property sold in the five months ended 31 May 2018 .

The decrease in other income from 2.26 million for the five months ended 31 May 2017 to RMB1.69 million for the five months ended 31 May 2018 was mainly due to decrease in rental income.

The decrease in administrative expenses from RMB1.19 million for the five months ended 31 May 2017 to RMB740,000 for the five months ended 31 May 2018 was mainly due to decrease in staff cost.

(ii) Comparison for the year ended 31 December 2017 to the year ended 31 December 2016

For the year ended 31 December 2017, Wuxi Huiyuan recorded revenue of approximately RMB8.02 million, as compared with that of approximately RMB41.26 million for the year ended 31 December 2016. Such decrease was primarily due to decrease in quantity sold. Cost of sales reduced from RMB39.49 million for the year ended 31 December 2016 to RMB8.02 million for the year ended 31 December 2017 due to decrease in quantity sold.

The increase in other income from RMB5.84 million for the year ended 31 December 2016 to RMB6.55 million for the year ended 31 December 2017 was mainly due to increase in rental income from investment properties.

The decrease in administrative expenses from RMB2.92 million for the year ended 31 December 2016 to RMB2.34 million for the year ended 31 December 2017 was mainly due to decrease in depreciation expense.

(iii) Comparison for the year ended 31 December 2016 to the year ended 31 December 2015

For the year ended 31 December 2016, Wuxi Huiyuan recorded revenue of approximately RMB41.26 million, as compared with that of approximately RMB34.87 million for the year ended 31 December 2015. Such increase was primarily due to increase in quantity sold. Cost of sales increased from RMB34.59 million for the year ended 31 December 2015 to RMB39.49 million for the year ended 31 December 2016 due to increase in quantity sold.

The increase in other income from RMB5.71 million for the year ended 31 December 2015 to RMB5.84 million for the year ended 31 December 2016 was mainly due to increase in service fee income from a related company.

The decrease in administrative expenses from RMB4.09 million for the year ended 31 December 2015 to RMB2.92 million for the year ended 31 December 2016 was mainly due to decrease in depreciation and staff cost.

(C) Baohua Jiangyin

(i) Comparison for the five months ended 31 May 2018 to the five months ended 31 May 2017

For the five months ended 31 May 2018, Baohua Jiangyin recorded revenue of approximately RMB3.86 million, as compared with that of approximately RMB20.12 million for the five months ended 31 May 2017. Such decrease was primarily due to decrease in quantity sold. Cost of sales reduced from RMB20.12 million for the five months ended 31 May 2017 to RMB 3.57 million for the five months ended 31 May 2018 due to decrease in quantity sold.

The decrease in other income from RMB507,000 for the five months ended 31 May 2017 to RMB151,000 for the five months ended 31 May 2018 was mainly due to decrease in interest income.

The decrease in administrative expenses from RMB1.38 million for the five months ended 31 May 2017 to RMB1.06 million for the five months ended 31 May 2018 was mainly due to decrease in repairing and maintenance expenses.

(ii) Comparison for the year ended 31 December 2017 to the year ended 31 December 2016

For the year ended 31 December 2017, Baohua Jiangyin recorded revenue of approximately RMB42.61 million, as compared with that of approximately RMB115.38 million for the year ended 31 December 2016. Such decrease was primarily due to decrease in quantity sold. Cost of sales reduced from RMB115.38 million for the year ended 31 December 2016 to RMB42.61 million for the year ended 31 December 2017 due to decrease in quantity sold.

The increase in other income from RMB745,000 for the year ended 31 December 2016 to RMB850,000 for the year ended 31 December 2017 was mainly due to increase in interest income.

The increase in administrative expenses from RMB3.18 million for the year ended 31 December 2016 to RMB3.81 million for the year ended 31 December 2017 was mainly due to increase in repairing and maintenance expenses.

(iii) Comparison for the year ended 31 December 2016 to the year ended 31 December 2015

For the year ended 31 December 2016, Baohua Jiangyin recorded revenue of approximately RMB115.38 million, as compared with that of approximately RMB229.44 million for the year ended 31 December 2015. Such decrease was primarily due to decrease in quantity sold. Cost of sales reduced from RMB229.44 million for the year ended 31 December 2015 to RMB115.38 million for the year ended 31 December 2016 due to decrease in quantity sold.

The decrease in other income from RMB1.91 million for the year ended 31 December 2015 to RMB745,000 for the year ended 31 December 2016 was mainly due to decrease in interest income.

The decrease in administrative expenses from RMB3.23 million for the year ended 31 December 2015 to RMB3.18 million for the year ended 31 December 2016 was mainly due to decrease in bank charges.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 May 2018 the net current assets/(liabilities) of the Target Companies were as follow:

	Baohua Wuxi *(RMB'000)*	**Wuxi Huiyuan** *(RMB'000)*	**Baohua Jiangyin** *(RMB'000)*
As at 31 December 2015			
Net current assets/(liabilities)	6,832	(199,438)	(450,503)
As at 31 December 2016			
Net current assets/(liabilities)	6,182	(221,970)	(462,077)
As at 31 December 2017			
Net current assets/(liabilities)	7,932	(242,634)	475,203
As at 31 May 2018			
Net current liabilities	(11,906)	(243,410)	(478,349)

The current ratio (being current assets over current liabilities) as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 May 2018 of the Target Companies were as follow:

	Baohua Wuxi	**Wuxi Huiyuan**	**Baohua Jiangyin**
As at 31 December 2015			
Current ratio	1.01	0.44	0.58
As at 31 December 2016			
Current ratio	1.01	0.31	0.58
As at 31 December 2017			
Current ratio	1.01	0.28	0.64
As at 31 May 2018			
Current ratio	0.99	0.16	0.65

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 May 2018 the net assets/(liabilities) of the Target Companies were as follow:-

	Baohua Wuxi *(RMB'000)*	**Wuxi Huiyuan** *(RMB'000)*	**Baohua Jiangyin** *(RMB'000)*
As at 31 December 2015			
Net assets/(liabilities)	7,269	39,072	(450,159)
As at 31 December 2016			
Net assets/(liabilities)	6,619	16,926	(461,809)
As at 31 December 2017			
Net assets/(liabilities)	7,932	(2,597)	(475,020)
As at 31 May 2018			
Net (liabilities)/assets	(11,906)	3,759	(478,196)

CAPITAL STRUCTURE

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 May 2018 the interest bearing secured bank borrowings made by the Target Companies and the respective average interest rates were as follows:

	Baohua Wuxi *(RMB'000)*	**Wuxi Huiyuan** *(RMB'000)*	**Baohua Jiangyin** *(RMB'000)*
As at 31 December 2015			
Secured bank borrowings	Nil	75,000	Nil
As at 31 December 2016			
Secured bank borrowings	Nil	65,000	290,000
As at 31 December 2017			
Secured bank borrowings	Nil	55,000	263,000
As at 31 May 2018			
Secured bank borrowings *(Note)*	Nil	55,000	263,000

The maturity dates in relation to the secured bank borrowings of Wuxi Huiyuan and Baohua Jiangyin as at 31 May 2018 are 27 May 2023 and 12 May 2019 respectively.

	Baohua Wuxi	Wuxi Huiyuan	Baohua Jiangyin
As at 31 December 2015			
Average interest rates	N/A	7.0%	8.24%
As at 31 December 2016			
Average interest rates	N/A	6.3%	5.95%
As at 31 December 2017			
Average interest rates	N/A	6.0%	5.95%
As at 31 May 2018			
Average interest rates	N/A	6.0%	5.95%

GEARING RATIO

The gearing ratio of the Target Companies, which is equal to the total borrowings to total equity/(deficit) as at 31 December 2015, 31 December 2016, 31 December 2017 and 31 May 2018 are as follow:

	Baohua Wuxi	Wuxi Huiyuan	Baohua Jiangyin
As at 31 December 2015			
Gearing ratio	102.67	9.12	2.38
As at 31 December 2016			
Gearing ratio	116.61	18.90	2.41
As at 31 December 2017			
Gearing ratio	102.85	129.35	2.78
As at 31 May 2018			
Gearing ratio	70.16	76.64	2.89

FOREIGN CURRENCY RISKS

The businesses conducted by the Target Companies during the period from the year ended 31 December 2015 to the five months ended 31 May 2018 were denominated in RMB. As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 May 2018 all of the business transactions, assets, and liabilities of the Target Companies were made in RMB. Therefore, the exposure in currency risks of the Target Companies was considered by the management to be minimal and they had not used any financial instrument for hedging purposes during the said period.

CAPITAL COMMITMENT

As at 31 December 2015, 31 December 2016, 31 December 2017, and 31 May 2018 capital commitment of the Target Companies in respect of properties under construction were as follow:

	Baohua Wuxi	Wuxi Huiyuan	Baohua Jiangyin
As at 31 December 2015			
Capital commitment	Nil	Nil	337,056
As at 31 December 2016			
Capital commitment	Nil	Nil	454,785
As at 31 December 2017			
Capital commitment	Nil	Nil	291,595
As at 31 May 2018			
Captial commitment	Nil	Nil	140,000

PLEDGE OF ASSETS

Each of the Target Companies had made secured bank or other borrowings in the years ended 31 December 2015, 31 December 2016, 31 December 2017 and period ended 31 May 2018, details were as follow:

	Baohua Wuxi	Wuxi Huiyuan	Baohua Jiangyin
As at 31 December 2015			
Pledge of assets	Nil	182,455	194,788
As at 31 December 2016			
Pledge of assets	Nil	182,758	324,965
As at 31 December 2017			
Pledge of assets	Nil	183,641	320,151
As at 31 May 2018			
Pledge of assets	Nil	191,141	404,678

CONTINGENT LIABILITIES

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 May 2018, each of the Target Companies did not have any significant contingent liabilities.

FUNDING POLICIES

The Target Companies will utilise the previously obtained bank loans and the loans from the related parties. The proceeds and rental income generated from the sale and lease of the properties held by the Target Companies will also form part of the operating cashflow with the view to achieving self-financing.

TREASURY POLICIES

The Target Companies continuously monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Target Companies' operations and mitigate the effects of fluctuations in cash flows.

EMPLOYEES AND REMUNERATION POLICY

Remuneration for employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the employees concerned. As at the Latest Practicable Date, the Target Companies had a total of 24 employees. Employees' salaries and wages including directors' remuneration for the years ended 31 December 2015, 31 December 2016, and 31 December 2017 and for the five months ended 31 May 2017 and 31 May 2018 of the Target Companies were as follow:

	Baohua Wuxi *(RMB '000)*	**Wuxi Huiyuan** *(RMB '000)*	**Baohua Jiangyin** *(RMB '000)*
Year ended 31 December 2015			
Employees' salaries and wages including directors' remuneration	Nil	1,311	724
Year ended 31 December 2016			
Employees' salaries and wages including directors' remuneration	Nil	1,395	864
Year ended 31 December 2017			
Employees' salaries and wages including directors' remuneration	886	998	976
Five months ended 31 May 2017			
Employees' salaries and wages including directors' remuneration	Nil	808	410
Five months ended 31 May 2018			
Employees' salaries and wages including directors' remuneration	Nil	Nil	436

Remuneration packages comprised salaries and defined contribution pension fund. Apart from pension, discretionary bonus and allowance will also be granted to certain employees as awards in accordance with individual performance. The Target Companies have no share option scheme.

FUTURE PLANS

Properties under development and properties for sale and lease

Baohua Wuxi intends to commence construction of the residential development on the parcel of land in Binhu District of Wuxi in about August 2018. Phase 1 and 2 of residential development are expected to be completed in about May 2019 and May 2020, respectively. The residential development will generate revenue and bring cash inflow in the first quarter of 2019 after pre-sale has been permitted.

Wuxi Huiyuan intends to sell out the remaining units in the composite building Wuai Renjia* (五愛人家) in order to further generate sale proceeds and bring cash inflow.

Baohua Jiangyin targets to sell all the unsold and completed residential units of the residential development, Cang Pin Yu Shan Wan* (藏品敔山灣) to generate revenue and to complete the construction of Phase 4 of the said residential units by the year of 2019. Internal decoration work and infrastructure work are being performed on certain unsold units in order to achieve higher selling prices.

Expected source of funding in the coming year

The operating expenses of the Target Companies in the coming year will be funded the proceeds and rental income generated from the sale and lease of the properties held by the Target Companies and the previously obtained bank loans and the loans from the related parties.

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇 ZHONGHUI

24 September 2018

The Board of Directors
Huajun International Group Limited
(formerly known as Huajun Holdings Limited)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Huajun International Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2018 and related notes as set out in Appendix IV of the circular (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition (the "**Acquisition**") of the entire equity interest of Baohua Real Estates (Wuxi) Co., Ltd. (formerly known as Wuxi Huiling Real Estate Co., Ltd.)* (保華地產(無錫)有限公司((前稱無錫惠靈置業有限公司)) (the "**Target Company A**"), Wuxi Huiyuan Real Estate Co., Ltd.* (無錫市惠遠置業有限公司) (the "**Target Company B**") and Baohua Real Estates (Jiangyin) Co., Ltd. (formerly known as Wuxi Huize Real Estate Co., Ltd.)* (保華地產(江陰)有限公司(前稱無錫惠澤置業有限公司)) (the "**Target Company C**") (collectively the "**Enlarged Group**") on the Group's financial position as at 31 March 2018 as if the Acquisition had taken place on 31 March 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 March 2018, on which an annual report has been published. Information about the Target Company A's financial position as at 31 May 2018, Target Company B's financial position as at 31 May 2018 and Target Company C's financial position as at 31 May 2018 has been extracted by the Directors from the accountants' report of the Target Company A, Target Company B and Target Company C as set out in Appendix II(A), II(B) and II(C) to the Circular respectively.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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

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

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition as at 31 March 2018 would have been as presented.

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

– The related pro forma adjustments give appropriate effect to those criteria; and

– The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Practising Certificate Number P06084

Hong Kong, 24 September 2018

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Capitalised terms used herein shall have the same meanings as those defined in this Circular, unless the context requires otherwise.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors of the Company to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated statement of financial position of the Group as at 31 March 2018 as extracted from the annual report of the Group for the year ended 31 March 2018, the audited statement of financial position of the Target Company A as at 31 May 2018, the audited statement of financial position of the Target Company B as at 31 May 2018 and the audited statement of financial position of the Target Company C as at 31 May 2018 as extracted from the accountants' report as set out in Appendix II(A), II(B) and II(C) of this Circular respectively after making certain proforma adjustments resulting from the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 March 2018. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of this Circular, the financial information of the Target Company A, Target Company B and Target Company C as set out in Appendix II(A), II(B) and II(C) of this Circular respectively and other financial information included elsewhere in this Circular.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group as at 31 March 2018	The target Company A as at 31 May 2018	The target Company B as at 31 May 2018	The target Company C as at 31 May 2018	Pro forma adjustments														The Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)															
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6a)*	*(Note 6b)*	*(Note 6c)*	*(Note 7a)*	*(Note 7b)*	*(Note 7c)*	*(Note 7d)*	*(Note 8a)*	*(Note 8b)*	*(Note 8c)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	
Non-current assets																			
Property, plant and equipment	911,156	–	162	153	–	–	–	–	–	–	–	–	–	–	–	–	–	–	911,471
Prepaid lease payments	147,562	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	147,562
Investment properties	5,424,780	–	267,790	–	–	–	–	–	59,354	(59,354)	–	–	–	–	–	–	–	–	5,692,570
Goodwill	13,933	–	–	–	–	–	–	–	–	–	–	–	263,008	–	–	–	–	(93,874)	183,067
Club membership	1,701	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,701
Deferred tax assets	9,762	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	9,762
Deposits for acquisitions of machineries and investment properties	153,447	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	153,447
Available-for-sale investments	70,741	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	70,741
Interests in associates	45,873	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	45,873
	6,778,955	–	267,952	153	–	–	–	–	59,354	(59,354)	–	–	263,008	–	–	–	–	(93,874)	7,216,194
Current assets																			
Properties held for sale and under development	2,435,166	815,735	30,651	844,467	–	560,626	–	–	6,794	–	–	–	–	–	–	–	–	–	4,693,439
Deposits for acquisitions	564,000	–	–	–	–	(548,720)	–	–	(15,280)	–	–	–	–	–	–	–	–	–	–
Prepaid lease payments	3,849	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3,849
Inventories	321,799	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	321,799
Finance lease receivables	11,434	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	11,434
Trade and other receivables, and prepayments	878,881	–	2,787	22,687	–	–	–	–	–	–	–	–	–	–	–	–	18,787	–	923,142
Loan receivables and interest receivables	107,294	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	107,294
Tax recoverable	44,020	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	44,020
Held for trading investments	101,222	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	101,222
Pledged bank deposits	262,823	–	–	20,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–	282,823
Bank balances and cash	255,113	7,635	9,560	14,084	1,609,810	–	(762,570)	(37,000)	(75,410)	–	(201,260)	(9,000)	(280,500)	(64,000)	(103,570)	(76,500)	–	–	286,392
Amount due from a related party	–	–	1,690	4,397	–	–	–	–	–	–	–	–	–	–	–	–	(6,087)	–	–
	4,985,601	823,370	44,688	905,635	1,609,810	11,906	(762,570)	(37,000)	(83,896)	–	(201,260)	(9,000)	(280,500)	(64,000)	(103,570)	(76,500)	12,700	–	6,775,414

	The Group as at 31 March 2018	The target Company A as at 31 May 2018	The target Company B as at 31 May 2018	The target Company C as at 31 May 2018	Pro forma adjustments														The Enlarged Group
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)	(Audited)															
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 6a)*	*(Note 6b)*	*(Note 6c)*	*(Note 7a)*	*(Note 7b)*	*(Note 7c)*	*(Note 7d)*	*(Note 8a)*	*(Note 8b)*	*(Note 8c)*	*(Note 9)*	*(Note 10)*	*(Note 11)*	
Current liabilities																			
Trade and other payables, and other liabilities	1,739,900	36,780	701	198,354	–	–	–	–	–	–	–	–	–	–	–	–	153,920	–	2,129,655
Bills payables	503,552	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	503,552
Convertible bonds – liability component	721,580	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	721,580
Convertible bonds – derivative component	127,628	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	127,628
Corporate bonds	128,042	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	128,042
Tax payable	94,744	–	–	2,032	–	–	–	–	–	–	–	–	–	–	–	–	–	–	96,776
Borrowings	2,170,314	–	55,000	263,000	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,488,314
Financial guarantee contracts provision	496,793	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	496,793
Contract liabilities	–	–	7,706	254,808	–	–	–	–	–	–	–	–	–	–	–	–	–	–	262,514
Amounts due to shareholders	–	576,400	224,691	574,920	–	–	(551,770)	(24,631)	–	–	(201,260)	(23,430)	(280,500)	(64,000)	–	(76,500)	(153,920)	–	–
Amounts due to related parties	–	222,096	–	90,870	–	–	(210,800)	(11,296)	–	–	–	–	–	–	(103,570)	–	12,700	–	–
	5,982,553	835,276	288,098	1,383,984	–	–	(762,570)	(35,927)	–	–	(201,260)	(23,430)	(280,500)	(64,000)	(103,570)	(76,500)	12,700	–	6,954,854
Net current (liabilities)/assets	(996,952)	(11,906)	(243,410)	(478,349)	1,609,810	11,906	–	(1,073)	(83,896)	–	–	14,430	–	–	–	–	–	–	(179,440)
Total assets less current liabilities	5,782,003	(11,906)	24,542	(478,196)	1,609,810	11,906	–	(1,073)	(24,542)	(59,354)	–	14,430	263,008	–	–	–	–	(93,874)	7,036,754
Non-current liabilities																			
Deferred tax liabilities	28,520	–	20,783	–	–	–	–	–	(20,783)	–	–	–	–	–	–	–	–	–	28,520
Amount due to an immediate holding company	520,000	–	–	–	1,609,810	–	–	–	–	–	–	–	–	–	–	–	–	–	2,129,810
Borrowings	2,423,739	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2,423,739
Corporate bonds	128,223	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	128,223
	3,100,482	–	20,783	–	1,609,810	–	–	–	(20,783)	–	–	–	–	–	–	–	–	–	4,710,292
Net assets/(liabilities)	2,681,521	(11,906)	3,759	(478,196)	–	11,906	–	(1,073)	(3,759)	(59,354)	–	14,430	263,008	–	–	–	–	(93,874)	2,326,462

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Figures are extracted from the consolidated financial statements of the Group as set out in the annual report of the Company for the year ended 31 March 2018.

(2) Figures are extracted from the Target Company A's statement of financial position as at 31 May 2018 included in the accountants' report of the Target Company A as set out in Appendix II(A) to the Circular.

(3) Figures are extracted from the Target Company B's statement of financial position as at 31 May 2018 included in the accountants' report of the Target Company B as set out in Appendix II(B) to the Circular.

(4) Figures are extracted from the Target Company C's statement of financial position as at 31 May 2018 included in the accountants' report of the Target Company C as set out in Appendix II(C) to the Circular.

(5) The Group intends to finance the Aggregate Consideration by its own financial resources and debt financing activities. The adjustment represented the loan drawn by the Company from the immediate holding company of the Company under the credit facilities agreement signed between Huajun International Limited and the Company dated on 28 September 2016 and 26 January 2017.

(6a) Pursuant to the Baohua Wuxi Agreement, the total consideration amounting to RMB548.72 million for the acquisition of entire equity interests of Target Company A will be settled by cash. Under Hong Kong Financial Reporting Standards, the Acquisition was accounted for as an acquisition of assets and liabilities as the Target Company A proposed to be acquired by the Company does not constitute a business.

According to paragraph 2(b) of HKFRS 3 (revised), HKFRS 3 (revised) applies to a transaction or other event that meets the definition of a business combination. This HKFRS does not apply to the acquisition of an asset or a group of assets that does not constitute a business. In such cases the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

On consolidation of the Target Company A by the Company, the excess of investment cost of RMB548.72 million in the Target Company over the net liabilities recognised at fair value of the Target Company A is RMB1,376.36 million.

	RMB'000
Transaction consideration	548,720
Add: Target Company A's assets and liabilities except for properties held for sales and under development	827,641
Cost allocated to properties held for sale and under development	1,376,361

For the purpose of preparation of this unaudited pro forma consolidated statement of financial position, RMB560.63 million was allocated to properties held for sale and under development. The allocation of the assets is as follows:

Individual identifiable assets

	Properties held for sale and under development
	RMB'000
At cost	815,735
Cost adjustment	560,626
Cost allocated to properties held for sale and under development	1,376,361

(6b) Pursuant to the Baohua Wuxi Agreement, the Group has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the debt which shall be amounted to RMB762.57 million at the consideration.

(6c) The adjustment represented the Group has agreed to pay the interest of RMB37 million to the Vendor in order to settle the remaining debt balances.

(7a) Pursuant to the Wuxi Huiyuan Agreement, the total consideration amounting to RMB90.69 million for the acquisition of entire equity interests of Target Company B will be settled by cash. Under Hong Kong Financial Reporting Standards, the Acquisition was accounted for as an acquisition of assets and liabilities as the Target Company B proposed to be acquired by the Company does not constitute a business.

According to paragraph 2(b) of HKFRS 3 (revised), HKFRS 3 (revised) applies to a transaction or other event that meets the definition of a business combination. This HKFRS does not apply to the acquisition of an asset or a group of assets that does not constitute a business. In such cases the acquirer shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The cost of the acquisition shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

On consolidation of the Target Company B by the Company, the excess of investment cost of RMB90.69 million in the Target Company over the net liabilities recognised at fair value of the Target Company B is RMB364.59 million.

	RMB'000
Transaction consideration	90,690
Add: Target Company B's assets and liabilities except for investment properties and properties held for sales and under development	273,899
Cost allocated to investment properties and properties held for sale and under development	364,589

For the purpose of preparation of this unaudited pro forma consolidated statement of financial position, RMB66.15 million was allocated in proportion to the fair value of assets and liabilities. The allocation of the assets and liabilities is as follows:

Individual identifiable assets	**Investment properties**	**Properties held for sale and under development**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At cost	267,790	30,651	298,441
Cost adjustment	59,354	6,794	66,148
Cost allocated to investment properties and properties held for sale under development	327,144	37,445	364,589

According to paragraph 15(b) of Hong Kong Accounting Standard 12 states that an entity does not recognise a deferred tax liability for taxable temporary differences that arise from the initial recognition of an asset or a liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting profit or loss nor taxable profit (tax loss). On acquisition, the acquiring entity recognises only the identifiable assets and not a deferred tax liability RMB20.78 million in its consolidated financial statements. The acquiring entity therefore allocates the entire purchase price to the identifiable assets.

(7b) According to the Group's accounting policy, the investment properties are recognized initially at fair value. For the purpose of preparation of this unaudited pro forma consolidated statement of financial position, the fair values of investment properties were approximately RMB267.79 million. As a result, a fair value loss of approximately and RMB59.35 million were recognised for investment properties.

(7c) Pursuant to the Wuxi Huiyuan Agreement, the Group has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the debt which shall be amounted to RMB201.26 million at the consideration.

(7d) The adjustment represented the Group has agreed to pay the interest of RMB9 million to the Vendor in order to settle the remaining debt balances.

(8a) Pursuant to the Baohua Jiangyin Agreement, the total consideration amounting to RMB1 for the acquisition of 55% entire equity interests of Target Company C will be settled by cash. The adjustment reflects the recognition of goodwill of approximately RMB263.01 million, arising from the Acquisition, as if the Acquisition had been completed on 31 March 2018 as follows:

	RMB'000
Cash consideration	–
Non-controlling interests with 45% equity interest	215,188
Net liabilities of Target Company C as at 31 May 2018	(478,196)
	(263,008)
Goodwill	263,008

Pursuant to the Baohua Jiangyin Agreement, the Group has conditionally agreed to acquire for and the Vendor has conditionally agreed to sell the debt which shall be amounted to RMB280.50 million at the consideration.

The total cash outflow amounting to approximately RMB280.50 million is as follows:

	RMB'000
Cash consideration for the acquisition of 55% entire equity interests of Target Company C	–
Cash consideration for the acquisition of the debts	280,500
	280,500

(8b) Pursuant to the Baohua Jiangyin Agreement, the Group has conditionally agreed to settle the additional borrowing from the Vendor which amounted to RMB64.00 million after the transaction is completed.

(8c) Pursuant to the Baohua Jiangyin Agreement, the Group has conditionally agreed to settle the loans to the related parties which amounted to RMB103.57 million after the transaction is completed.

(9) Pursuant to the Further Acquisition Agreement, the total consideration amounting to RMB76.50 million for the acquisition of 15% entire equity interests of Target Company C will be settled by cash (comprising equity transfer price of RMB0 and debt of RMB76.50 million).

We assumed that the transaction pursuant to the Baohua Jiangyin Agreement for the acquisition of 55% entire equity interests of Target Company C is treated as business combination. The further transaction pursuant to the Further Acquisition Agreement for the acquisition of 15% entire equity interests of Target Company C is a separate transaction and the changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners).

(10) The adjustment represented the reclassification from amount due from a related party of approximately RMB6.09 million and amount due to related parties of approximately RMB12.70 million to trade and other receivables, and prepayments and amounts due to related parties of approximately RMB153.92 million to trade and other payables, and other liabilities.

(11) An impairment loss shall be recognised for a cash-generating unit if, and only if, the recoverable amount of the unit is less than the carrying amount of the unit in according with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36"). Based on the lasted information, the management have assessed whether these is any impairment on the pro forma goodwill as at 31 March 2018 in accordance with HKAS36. The carrying amount of the goodwill arising from the Acquisition of the Target Company C is approximately RMB263.01 million. The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period. The pro forma goodwill allocated to this cash-generating unit has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of RMB93.87 million in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 30 June 2018 of the property interests of the Target Companies.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

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24 September 2018

Huajun International Group Limited
36th Floor, Champion Tower
3 Garden Road,
Central, Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Huajun International Group Limited (formerly known as Huajun Holdings Limited) ("**Huajun**" or the "**Company**" and together with its subsidiaries the "**Group**") for us to carry out the valuation of the property interests held by (i) Baohua Real Estates (Wuxi) Co., Ltd. (formerly known as Wuxi Huiling Real Estate Co., Ltd.) (保華地產(無錫)有限公司(前稱無錫惠靈置業有限公司)) (ii) Wuxi Huiyuan Real Estate Co., Ltd. (無錫市惠遠置業有限公司) and (iii) Baohua Real Estates (Jiangyin) Co., Ltd. (formerly known as Wuxi Huize Real Estate Co., Ltd.) (保華地產(江陰)有限公司(前稱無錫惠澤置業有限公司)) (hereinafter individually referred to as the "**Target Company A**", "**Target Company B**" and "**Target Company C**" respectively or together referred to as the "**Target Companies**"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interests as at 30 June 2018 (the "**Date of Valuation**").

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the International Valuation Standards of the International Valuation Standards Council and followed by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

BASIS OF VALUATION

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited, the HKIS Valuation Standards 2017 published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

Our valuations also exclude potential tax liability which might arise if the assets were to be sold at the valuation date, including but not limited to profit tax, business tax, land appreciation tax, capital gain tax and any other relevant taxes prevailing at the valuation date.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised property interests have been categorised according firstly to type of interests held by the Target Companies, which in turn being classified into the following groups:

Group I – Property interests held for investment by the Target Company B in the People's Republic of China (the "**PRC**")

Group II – Property interests held under development by the Target Company C in the PRC

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

VALUATION METHODOLOGY

In valuing the property interests in Group I, we have valued the property interests by income approach by taking into account the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the market value at an appropriate capitalisation rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

In valuing the property interests in Group II, the property interest is currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Target Companies. We have assumed that all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delays. In arriving at our opinion of value, we have adopted the market approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the date of valuation and the reminder of cost and fees that expected to be incurred for completing the development.

In valuing the property interests in Group III, the property interest held for future development, we have valued the property interests by market approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments and analysis are considered given the differences in location, size and other characters between the comparable properties and the subject properties.

TITLE INVESTIGATION

We have been provided by the Target Companies with copy of extract of the documents relating to the property interests. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrances that might be attached to the property interests or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interests in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser – Liaoning Gong Dan Law Offices, concerning the validity of title of the property interests in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the property interests being appraised. The inspection was carried out by Ivan Mak (Senior Valuer of AVISTA Valuation Advisory Limited), during the period from 28-31 January 2018 and Raymond Chan (Manager of AVISTA Valuation Advisory Limited), during the period from 1 – 3 August 2018. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the property is free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archaeological, ecological or environmental surveys for the property interests. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighbouring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company or the Target Companies. We have also sought confirmation from the Company or the Target Companies that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interests at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interests and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realised from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed.

Moreover, it is assumed that all required licences, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organisation either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilisation of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as at the Date of Valuation. We have also assumed that there was not any material change of the properties in between dates of our inspection and the Date of Valuation.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). Our valuations are summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties in the PRC, Hong Kong, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

SUMMARY OF VALUES

Group I – Property interests held for investment by the Target Company B in the PRC

No.	Property	Market value in existing state as at 30 June 2018 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2018 *RMB*
1.	A composite building known as Wuai Renjia (五爱人家) located at the junction of Wuai Road and Ronghu South Road, Liangxi District, Wuxi City, Jiangsu Province, the PRC	286,970,000	100%	286,970,000
	Sub-total:	**286,970,000**		**286,970,000**

Group II – Property interests held under development by the Target Company C in the PRC

No.	Property	Market value in existing state as at 30 June 2018 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2018 *RMB*
2.	A residential development located at No. 99 Changshan Road, Jiangyin City, Jiangsu Province, the PRC	933,700,000	70%	653,590,000
	Sub-total:	**933,700,000**		**653,590,000**

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

No.	Property	Market value in existing state as at 30 June 2018 *RMB*	Interest Attributable to the Group	Market value Attributable to the Group as at 30 June 2018 *RMB*
3.	A parcel of vacant land located at the junction of Luma Road and Changle Road, Binhu District, Wuxi City, Jiangsu Province, the PRC	1,390,900,000	100%	1,390,900,000
	Sub-total:	**1,390,900,000**		**1,390,900,000**
	Grand-total:	**2,611,570,000**		**2,331,460,000**

VALUATION CERTIFICATE

Group I – Property interests held for investment by the Target Company B in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2018 *RMB*
1.	A composite building known as Wuai Renjia (五愛人家) located at the junction of Wuai Road and Ronghu South Road, Liangxi District, Wuxi City, Jiangsu Province, the PRC	The property is a composite building comprising a 13-storey complex building with 2 levels of basement which was completed in about 2012. The property comprises a total of 250 units with the total gross floor area of approximately 19,000.84 sq.m. The details are set of as follow: **Gross Floor Area** *(sq.m.)* – Residential 9,451.44 – Office 8,488.14 – Retail 1,061.26 **Total** **19,000.84** The property is held under 250 numbers of Wuxi Building Initial Registration Certificates for residential, office and commercial use.	As at the date of valuation, the property has been leased to various independent third parties. Portion of the property with the total lettable area of approximately 9,620.91 sq.m. has been leased for office and residential purposes with the latest term expiring on 30 September 2022 with a total monthly rental of approximately RMB371,000 (exclusive of management fee and the utilities expense) and the remaining portion of the property was vacant as at the Date of Valuation.	286,970,000 (100% interest attributable to the Group: RMB286,970,000)

Notes:

i. Pursuant to 250 numbers of Wuxi Building Initial Registration Certificates issued by Wuxi Housing Security and Real Estate Management Bureau, the property with a total gross floor area of approximately 19,000.84 sq.m. is held by Wuxi Huiyuan Real Estate Co., Ltd. (無錫市惠遠置業有限公司) for residential, commercial & office use respectively.

ii. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Target Company B has the legal right of the 250 units of the property and Target Company B has the right to transfer, lease (except the properties have been leased out), pledge, use (except the properties have been leased out) and gift of the property. Target Company B has the right to lease and/or use of the leased out properties while the tenancy agreements have been expired;

   b. The 17 numbers of tenancy agreement have been legally leased out by Target Company B; and

   c. As advised by the Company, Target Company B comprises 473 car parking spaces. Target Company B is entitled to lease and generate revenue from the car parking spaces.

iii. In our valuation, we have made reference to several rentals evidence and asking rent of similar property in the locality which are in the region of RMB34 to RMB40 per sq.m./month for residential properties & RMB36 to RMB46 per sq.m./month for office properties. The market yield of residential properties assumed by us is 2.1% which is in line with the market yield of this property sector in the region of 2% – 4%. The market yield of office properties assumed by us is 4.7% which is in line with the market yield of this property sector in the region of 3% – 5.5%.

iv. In the valuation of this property, we have attributed no commercial value to the 473 car parking spaces mentioned in Notes (ii) (c) which have not obtained any title certificate.

However, for reference purpose, we are of the opinion that the reference value of the 473 car parking spaces as at the date of valuation would be RMB55,000,000 which is based on the PRC legal opinion.

v. The property is situated at the junction of Wuai Road and Ronghu South Road. It takes about 30-minute drive to the city center of Wuxi and about 40-minute drive to Sunan Shuofang International Airport.

According to Statistical Overview of Wuxi, the property market in Wuxi City with the information of supply and demand in the past two years as below:

Year	**Property Under Construction**	**Property Completed**	**Sold Area**	**Sales**
	(sq.m.)	*(sq.m.)*	*(sq.m)*	*(RMB)*
2017	57,365,100	11,299,000	11,820,900	125,393,000,000
2016	59,867,600	13,252,200	12,764,100	110,803,000,000

VALUATION CERTIFICATE

Group II – Property interests held under development by the Target Company C in the PRC

<table>
<tr><th>No.</th><th>Property</th><th>Description and tenure</th><th>Particulars of occupancy</th><th>Market value in existing state as at 30 June 2018
RMB</th></tr>
<tr><td>2.</td><td>A residential development located at No. 99 Changshan Road, Jiangyin City, Jiangsu Province, the PRC</td><td>The property comprises a parcel of land with a site area of approximately 109,019.00 sq.m. and various residential and ancillary facilities which have been completed or currently being constructed thereon.

The development is scheduled in 4 phases. Phase 1, Phase 2 and Phase 3 were completed and most of the units were sold. Phase 4 is scheduled to be completed in 2019. Details of the unsold unit and Phase 4 development are as follow:

<table>
<tr><th></th><th>Gross Floor Area
(sq.m.)</th></tr>
<tr><td>Phase 1 to Phase 3 (unsold portion)</td><td></td></tr>
<tr><td>– Residential</td><td>26,057.30</td></tr>
<tr><td>– Retail</td><td>2,874.83</td></tr>
<tr><td>Phase 4 (currently being construction)</td><td></td></tr>
<tr><td>– Residential</td><td>75,834.05</td></tr>
<tr><td>– Retail</td><td>5,893.13</td></tr>
<tr><td>– Ancillary</td><td>2,691.64</td></tr>
<tr><td>– Under Ground Area</td><td>19,906.17</td></tr>
<tr><td>Total</td><td>133,257.12</td></tr>
</table>

As advised by the Company, the total construction cost of Phase 4 is estimated to be approximately RMB443,641,975 of which approximately RMB356,094,000 had been paid as at the valuation date.

The land use rights of the property has been granted for a term expiring on 24 October 2049 and 24 October 2079 for commercial and residential uses respectively.</td><td>Phase 1 to Phase 3 of the development with numbers of unsold units held for sales and Phase 4 of the property was under construction as at the Valuation Date.</td><td>933,700,000
(70% interest attributable to the Group: RMB653,590,000)</td></tr>
</table>

Notes:

i. Pursuant to the Land Use Rights Certificate — Cheng Tu Guo Yong (2010) Di No. 5349 dated 6 March 2010, a parcel of land with a site area of 109,019 sq.m. has been granted to Wuxi Huize Real Estate Co., Ltd. (the former name of Baohua Real Estates (Jiangyin) Co., Ltd.) (無錫惠澤置業有限公司 (保華地產(江陰)有限公司的前稱) for a term expiring on 24 October 2049 and 24 October 2079 for commercial and residential uses respectively.

ii. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 320281201000124 dated 11 March 2010 in favour of Wuxi Huize Real Estate Co., Ltd, permission towards the planning of a parcel of land with a total site area of approximately 109,019 sq.m.

iii. Pursuant to a Construction Works Planning Permit – Jian Zi Di No. 320281201500110 dated 22 October 2015 in favour of Wuxi Huize Real Estate Co., Ltd, permission towards the planning of a parcel of land with a total gross floor area of approximately 84,422.14 sq.m. for Block 7 to Block 10.

iv. Pursuant to a Construction Works Commencement Permit No. 320281201512300101 dated 30 December 2015 in favour of Wuxi Huize Real Estate Co., Ltd, permission by the relevant local authority has been given to commence the construction work of a parcel of land with a total gross floor area of approximately 48,526.15 sq.m. for Block 7 and Block 8.

v. Pursuant to a Construction Works Commencement Permit No. 320281201608310201 dated 31 August 2016 in favour of Wuxi Huize Real Estate Co., Ltd, permission by the relevant local authority has been given to commence the construction work of a parcel of land with a total gross floor area of approximately 35,892.67 sq.m. for Block 9 and Block 10.

vi. Pursuant to the Pre-sale Permits for Commodity Housing (2016) Yu Xiao Zhun Zi Di No. 019, Block 7 and Block 8 with a total gross floor area of 47,514.88 sq.m has been permitted to be pre-sale.

vii. Pursuant to the Pre-sale Permits for Commodity Housing (2017) Yu Xiao Zhun Zi Di No. 033, Block 9 and Block 10 with a total gross floor area of 34,212.30 sq.m has been permitted to be pre-sale.

viii. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

  a. Target Company C has the legal right of the land use rights of the property;

  b. The land use right of the property has been pledged;

  c. Target Company C has no right to transfer, second mortgage or gift of the land use right of the property, in fact, the holding company of Target Company C has the right to transfer the equity share and has to inform the mortgagee;

  d. Target Company C has obtained permission and approval in relation to the construction of the development and Target Company C has the right to transfer, lease, pledge, use and gift of the unsold portion property; and

  e. As advised by the Company, Target Company C comprises 794 car parking spaces. Target Company C is entitled to lease and generate revenue from the car parking spaces.

ix. In the valuation of this property, we have attributed no commercial value to the 794 car parking spaces mentioned in Notes (viii) (e) which have not obtained any title certificate.

However, for reference purpose, we are of the opinion that the reference value of the 794 car parking spaces as at the date of valuation would be RMB75,000,000 which is based on the PRC legal opinion.

x. The reference value of the development, as if completed as at the date of valuation under the development proposals as described above and assuming it can be freely transferred in the market would be approximately RMB1,211,600,000.

xi. In our valuation, we have made reference to the transaction record of the development and some asking price references of some residential development which have characteristics comparable to the property. We have adopted the unit rates of about RMB11,000/sq.m. for retail property (Please see the comparables information below under the table "Retail Properties") and RMB9,500/sq.m. for residential property (Please see the comparables information below under the table "Residential Properties") if completed.

The list of comparables considered by us in performing the valuation of the Property is listed below:

Retail Properties

Comparable	Location	Usage of Property	Date	Price *(RMB)*	Area *(sq.m.)*	Unit Rate *(RMB/sq.m.)*
Comparable 1	Cang Pin Yu Shan Wan	Retail	12 January 2017	607,827	57	10,688
Comparable 2	Cang Pin Yu Shan Wan	Retail	12 January 2017	638,318	60	10,628
Comparable 3	Cang Pin Yu Shan Wan	Retail	16 March 2017	1,299,793	120	10,828

Residential Properties

Comparable	Location	Usage of Property	Date	Price *(RMB)*	Area *(sq.m.)*	Unit Rate *(RMB/sq.m.)*
Comparable 1	Cang Pin Yu Shan Wan	Residential	29 March 2018	1,932,778	167	11,593
Comparable 2	Cang Pin Yu Shan Wan	Residential	22 December 2017	1,695,428	187	9,082
Comparable 3	Cang Pin Yu Shan Wan	Residential	7 December 2017	1,732,431	185	9,365
Comparable 4	Cang Pin Yu Shan Wan	Residential	31 July 2017	889,177	116	7,664

We have adopted the comparables by considering transaction time, size, same usage and locality.

We have not adopted any adjustments for both of the retail portion and residential portion of the Property.

xii. The property is situated at No. 99 Changshan Road. It takes about 70-minute drive to the city center of Wuxi and about 60-minute drive to Sunan Shuofang International Airport.

According to Statistical Overview of Wuxi, the property market in Wuxi City with the information of supply and demand in the past two years as below:

Year	Property Under Construction *(sq.m.)*	Property Completed *(sq.m.)*	Sold Area *(sq.m)*	Sales *(RMB)*
2017	57,365,100	11,299,000	11,820,900	125,393,000,000
2016	59,867,600	13,252,200	12,764,100	110,803,000,000

VALUATION CERTIFICATE

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

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 June 2018 *RMB*
3.	A parcel of vacant land located at the junction of Luma Road and Changle Road, Binhu District, Wuxi City, Jiangsu Province, the PRC	The property comprises a parcel of land with a site area of approximately 163,232.10 sq.m. The land use right of the property has been granted for the terms expiring on 27 March 2084 for residential use.	The property was vacant as at the Date of Valuation.	1,390,900,000 (100% interest attributable to the Group: RMB1,390,900,000)

Notes:

i. Pursuant to the State-owned Land Use Rights Grant Contract dated 7 January 2011, the land use rights of a parcel of land with a site area of approximately 163,232.10 sq.m. have been contracted to be granted to Wuxi Real Estate Development Group Co., Ltd.* (無錫市房地產開發集團有限公司), the immediate holding company of the Target Company A, for the terms of 40 years for commercial use and 70 years for residential use respectively at a land premium of RMB573,270,000.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≧1.4, ≦1.6
Site Coverage:	≦25%
Greenery Coverage:	≧35%

ii. Pursuant to the Realty Title Certificate – Su (2017) Wu Xi Shi Bu Dong Chan Quan Di No. 0101319 dated 7 June 2017, a parcel of land with a site area of 163,232.10 sq.m. has been granted to Wuxi Huiling Real Estate Co., Ltd. (the former name of Baohua Real Estates (Wuxi) Co., Ltd.) (無錫惠靈置業有限公司（保華地產（無錫）有限公司）的前稱) for a term expiring on 27 March 2084 for residential use.

iii. We have been provided with a legal opinion regarding the property interests by the Company's PRC legal advisers, which contains, inter alia, the following:

a. Target Company A has the legal right of the land use rights of the property and Target Company A has the right to transfer, lease, pledge, use and gift of the property.

iv. In our valuation, we have made reference to some transaction price references of land comparables in the subject and nearby development. The accommodation value of these comparables range from RMB5,700 to RMB6,300 per sq.m. We have adopted the accommodation value unit rate of about RMB5,870/sq.m. (Please see the comparables information below under the table).

The list of comparables considered by us in performing the valuation of the Property is listed below:

Comparable	Location	Usage of Land Use Right	Date	Price *(RMB)*	Site Area *(sq.m.)*	Plot Ratio
Comparable 1	Northeast side of the junction of Xinye Avenue and Yangxi Road, Huishan District, Wuxi City, Jiangsu Province	Residential	31-July-2018	377,600,000	28,113.50	2.2
Comparable 2	South side of Anyang Road, Yangshan Town, Huishan District, Wuxi City, Jiangsu Province	Residential	31-July-2018	261,400,000	34,823.20	1.2

We have adopted the comparables by considering transaction time, size, same usage and locality.

We have adopted the total adjustment for both of the comparable 1 & 2 about the size and location factors which is less than 5%.

v. The property is situated at the junction of Luma Road and Changle Road. It takes about 60-minute drive to the city center of Wuxi and about 50-minute drive to Sunan Shuofang International Airport.

According to Statistical Overview of Wuxi, the property market in Wuxi City with the information of supply and demand in the past two years as below:

Year	Property Under Construction *(sq.m.)*	Property Completed *(sq.m.)*	Sold Area *(sq.m.)*	Sales *(RMB)*
2017	57,365,100	11,299,000	11,820,900	125,393,000,000
2016	59,867,600	13,252,200	12,764,100	110,803,000,000

vi. The land parcel is subject to the following key planning and design requirement issued by Wuxi Urban Planning Bureau dated September 2010 with the height restriction which not more than 11-storey. The development has also been required with nursery facility, property management facility, open area, public toilet and etc.

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 omission of other matters 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:

Authorised		*HK$*
400,000,000	Shares	400,000,000
Issued and fully paid		*HK$*
60,669,200	Shares	60,669,200

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 Guang Bao ("**Mr. Meng**")	44,202,780 (L)	Interest in controlled corporation *(Note 1)*	72.86%
	425,719 (L)	Beneficial owner	0.70%
	387,351 (L)	Share options *(Note 2)*	0.64%
Ms. Zhang Ye ("**Ms. Zhang**")	274,050 (L)	Share options *(Note 3)*	0.45%
Mr. Guo Song ("**Mr. Guo**")	274,050 (L)	Share options *(Note 4)*	0.45%
	30,000 (L)	Beneficial owner	0.05%
Mr. He Shufen	1,320 (L)	Beneficial owner	0.002%
Mr. Zeng Hongbo	274,050 (L)	Share options *(Note 3)*	0.45%
	3,560 (L)	Beneficial owner	0.006%
Mr. Zheng Bailin	38,735 (L)	Share options *(Note 5)*	0.064%
Mr. Shen Ruolei	38,735 (L)	Share options *(Note 5)*	0.064%
Mr. Pun Chi Ping	38,735 (L)	Share options *(Note 5)*	0.064%

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

Notes:

1. Long positions in 44,202,780 Shares are held by CHG. CHG was wholly owned by Huajun Group Limited (華君集團有限公司), a company incorporated in Hong Kong with limited liability, which was beneficially owned as to 100% by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by CHG by virtue of the SFO.

2. 38,735,070 share options have been granted to Mr. Meng and were subsequently consolidated into 387,351 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 7 February 2017 and 5 December 2017, respectively.

3. 274,050 share options have been granted to each of Ms. Zhang and Mr. Zeng Hongbo prior to their appointment as Director.

4. 274,050 share options have been granted to Mr. Guo. For further details of the said share options granted, please refer to the announcements of the Company dated 16 February 2015, 30 June 2015, 7 February 2017 and 5 December 2017, respectively.

5. 3,873,500 share options have been granted to each of Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping and were subsequently consolidated into 38,735 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 30 June 2015, 7 February 2017 and 5 December 2017, respectively.

Interests in shares in associated corporation

Associated corporation	Director	Capacity	Number of shares held	Approximate percentage interest in the capital of the associated corporation
Huajun Group Limited (華君集團有限公司) *(Note 6)*	Mr. Meng	Beneficial owner	3,000,000,000	100%

Note:

6. CHG is a wholly-owned subsidiary of Huajun Group Limited (華君集團有限公司).

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
CHG	44,202,780 (L)	Beneficial owner	72.86%
Huajun Group Limited （華君集團有限公司）	44,202,780 (L)	Interest of controlled corporation *(Note (a))*	72.86%
Mr. Meng	425,719 (L)	Beneficial owner	0.70%
	44,202,780 (L)	Interest of controlled corporation *(Note (a))*	72.86%
	387,351 (L)	Share Options	0.64%

Note:

(a) 44,202,780 Shares are held by CHG. The entire issued share capital of CHG was beneficially owned by Huajun Group Limited（華君集團有限公司）, which was wholly owned by Mr. Meng.

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

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

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 disclosed in the announcement of the Company dated 28 June 2018, Jiangsu Nantong Erjian Group Company Ltd.* (江蘇南通二建集團有限公司) has initiated several legal proceedings as plaintiff against various subsidiaries of the Company in the PRC in respect of certain construction contracts disputes. The Company has sought opinion on the said legal disputes from its legal counsel in the PRC, who, as of the date of the announcement, was of the opinion that certain amounts claimed may be disputable.

As at the Latest Practicable Date, saved as disclosed above, 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:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified public accountant
AVISTA Valuation Advisory Limited	Independent property valuer

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 2018, 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 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 (equivalent to approximately HK$446,615,987.30) 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);

(b) 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 (aa) above;

(c) 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 million for a consideration of RMB1,920 million;

(d) the equity transfer agreement dated 23 May 2017 and entered into between 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 as vendor and Liaoning Huajun Equipment Manufacturing Limited (遼寧華君裝備製造有限公司), a company incorporated 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), a company incorporated in the PRC, as the purchaser, pursuant to which the said vendor has agreed to sell, and the said 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;

(e) the equity transfer agreement dated 23 May 2017 and entered into between 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 the vendor and Liaoning Huajun Equipment Manufacturing Limited (遼寧華君裝備製造有限公司), a company incorporated 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), a company incorporated in the PRC, as the purchaser, pursuant to which the said vendor has agreed to sell, and the said 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;

(f) the cooperation agreement between 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*), a company established in the PRC with limited liability, Baohua Real Estate (Guangdong) Company Limited* (保華地產(廣東)有限公司) (formerly known as Dongguan Hongda Properties Company Limited* (東莞宏大地產有限公司)), a company established in the PRC with limited liability, and New Island Printing Company Limited (新洲印刷有限公司), a company incorporated in Hong Kong with limited liability; and 深圳市凱福投資實業有限公司 (Shenzhen City Kaifu Investment Enterprise Company Limited*), a company established in the PRC with limited liability, in relation to a joint development of a project with a proposed registered capital of RMB10,000,000;

(g) the sale and purchase agreement dated 7 July 2017 entered into between Huajun Pharmaceutical Group Company Limited* (華君醫藥集團股份有限公司) (formerly known as Yingkou Huajun Jinkong Investment Company Limited* (營口華君金控投資有限公司)), a company established in the PRC with limited liability and is ultimately owned as to 97.5% by Mr. Meng and 2.5% by Ms Bao Le as purchaser and 深圳市華君融資租賃有限公司 (Shenzhen Huajun Financial Leasing Ltd.*), a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company as vendor, in relation to the acquisition of 20% of the 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.*), a company established in the PRC with limited liability, at the consideration of RMB26,700,000. By a termination agreement entered into between 營口華君金控投資有限公司 (Yingkou Huajun Jinkong Investment Company Limited*) and 深圳市華君融資租賃有限公司 (Shenzhen Huajun Financial Leasing Ltd.*) dated 29 March 2018, the said sale and purchase agreement was terminated forthwith and neither party shall have any claim against the other in connection with the agreement;

(h) the sale and purchase agreement dated 28 September 2017 entered into between Huajun Logistics Co. Limited (華君物流有限公司), an indirect wholly-owned subsidiary of the Company, and Gather Take Development Limited (滙進發展有限公司), a company incorporated in the British Virgin Islands with limited liability as vendors, and On Win Corporation Limited (進盈有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Ruifeng Renewable Energy Holdings Limited (中國瑞風新能源控股有限公司) (Stock code: 527) as purchaser, in relation to the acquisition of 23% of the equity interests in Candice Group Limited (華君科技集團有限公司), a company incorporated in the Cayman Islands at the consideration of HK$9,461,970.00;

(i) the subscription agreements dated 20 October 2017 entered into between the Company and Guide Plus Investments Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of China Strategic Holdings Limited (中策集團有限公司) (stock code: 00235), and Treasure Capital Finance Limited (寶盈資本財務有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of PYI Corporation Limited (stock code: 00498), as subscribers in relation to the issuance of convertible bonds in the aggregate principal amount of HK$350,000,000 upon and subject to the terms and conditions set out in the subscription agreement;

(j) the subscription agreement dated 7 December 2017 entered into between the Company and Power Ace Investments Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party, as subscriber in relation to the issuance of convertible bonds in the aggregate principal amount of HK$30,000,000 upon and subject to the terms and conditions set out in the subscription agreement;

(k) the subscription agreements dated 13 December 2017 entered into between the Company, Pu Shi International Financial Group Limited (璞石國際金融集團有限公司) (formerly known as CEFC Futures Group (Hong Kong) Financial Holdings Limited (華信期貨集團(香港)金融控股有限公司)), a company incorporated in Hong Kong with limited liability and an Independent Third Party, and Wonderland International Financial Holdings Limited (華德國際金融控股有限公司) (formerly known as CEFC (HK) Financial Holdings Limited (華信(香港)金融控股有限公司)), a company incorporated in Hong Kong with limited liability and an Independent Third Party, as subscribers in relation to the issuance of convertible bonds in the aggregate principal amount of HK$218,000,000 upon and subject to the terms and conditions set out in the subscription agreement;

(l) the equity transfer agreement dated 29 March 2018 entered into between (i) B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, (ii) Yingkou Xiang Feng Properties Limited* (營口翔峰置業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, and (iii) Yingkou City Wan Hong Construction Company Limited* (營口市萬泓建築工程有限公司), a company established in the PRC with limited liability and an Independent Third Party in relation to the disposal of 100% interests in Yingkou Kunlun Real Estate Company Limited, a company established in the PRC with limited liability, for a consideration of RMB240,000,000;

(m) the equity transfer agreement dated 17 May 2018 entered into between New Island Printing (Liaoning) Company Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as the purchaser and Huajun Property Limited* (華君置業有限公司) (formerly known as Huajun Enterprise (Yingkou) Company Limited* (華君實業(營口)有限公司)), a company established in the PRC with limited liability and ultimately owned as to 97% by Mr. Meng and 3% by Ms. Bao as the vendor, pursuant to which the vendor has agreed to sell, and the purchaser has agreed to purchase, 100% equity interests in Yingkou Yi Hua Green Packaging Printing Company Limited* (營口益華綠色包裝印務有限公司), a company established in the PRC with limited liability for a consideration of RMB30,000,000;

(n) the equity transfer agreement dated 16 July 2018 entered into between Feng Xingbo* (豐興波) and Zhao Shifu* (趙士福), citizens and businessmen in the PRC, who are Independent Third Parties, as the vendors, and Baohua Real Estates Management (China) Co., Ltd.* (保華置業管理(中國)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as the purchaser, pursuant to which the vendors agreed to sell, and the purchaser agreed to purchase the entire equity interest of Yingkou Economic Technology Development Zone Shangfang Real Estate Limited* (營口經濟技術開發區上方房地產有限公司), a company established in the PRC with limited liability, which, as advised by the Vendors, was prior to the completion of the equity transfer owned as to 40% by Feng Xingbo* (豐興波) and 60% by Zhao Shifu* (趙士福), at the consideration of RMB135,000,000, subject to adjustment as stated in the announcement of the Company dated 16 July 2018;

(o) the equity transfer agreement dated 27 July 2018 entered into between Yingkou Jinlun Science And Technology Development Limited* (營口金綸科技發展有限公司), a company established in the PRC with limited liability and an Independent Third Party as the vendor and Huajun Power (China) Group Limited* (華君電力(中國)集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as the purchaser, pursuant to which the vendor has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase, the entire equity interest in Yingkou Yuzhu Science And Technology Development Limited* (營口玉珠科技發展有限公司), a company established in the PRC with limited liability, at the consideration of RMB1.00;

(p) the acquisition agreement dated 3 August 2018 entered into between Huajun Energy Co., Ltd.* (華君能源有限公司), a company established in the PRC with limited liability and the indirect wholly-owned subsidiary of the Company, as the purchaser and Yingkou Coastal Development Construction Group Co., Ltd.* (營口沿海開發建設集團有限公司), a company established in the PRC with limited liability and an Independent Third Party, as the vendor, pursuant to which the vendor has agreed to sell and the purchaser has agreed to purchase, the land use rights of the land parcel situated at the land lot No.D2-51, Yingkou City, Liaoning Province, the PRC with total site area of approximately 1,061,349 square metres, at the consideration of RMB84,907,960;

(q) the Sale and Purchase Agreement dated 31 August 2018 entered into among (i) Dongguan Green Lake Villa Development Construction Co., Ltd.* (東莞市綠湖山莊開發建造有限公司), a company established in the PRC with limited liability and an Independent Third Party as the vendor; (ii) Shenyang Oriental Ginza Center Real Estate Co., Ltd. * (瀋陽東方銀座中心城置業有限公司), a company established in the PRC with limited liability and a shareholder of the vendor and an Independent Third Party; (iii) Shenzhen Guangsen Investment Group Co., Ltd. * (深圳市廣森投資集團有限公司), a company established in the PRC with limited liability and a shareholder of the vendor and an Independent Third Party; and (iv) Bao Hua Properties (Guangdong) Co., Ltd.* (保華地產(廣東)有限公司), a company established in the PRC with limited liability and the indirect wholly-owned subsidiary of the Company, as the purchaser, pursuant to which (a) the vendor has agreed to sell, and the purchaser has agreed to purchase, Dong Yin Building (東銀大廈) together with all the future earnings and rights arising therefrom at a consideration of RMB210,000,000; and (b) the vendor has conditionally agreed to procure the purchaser or its nominee to win the tender for, and obtain the land use rights of, a target land situated at Si Ma Village, Changping Prefecture, Dongguan

City, Guangdong Province, the PRC with total land use area of approximately 136,000 square meters (ownership of which is not held by the vendor), within 2 years from the date of the said agreement at the Service Fee of RMB163,920,000 (subject to adjustment as stated in the announcement of the Company dated 31 August 2018); and

(r) the acquisition agreement dated 21 September 2018 entered into between Baohua Properties (China) Limited* (保華地產(中國)有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company, as the purchaser; and Nanjing Huajun Real Estate Co., Ltd.* (南京華君置業有限公司), a company established in the PRC with limited liability, which is a connected person of the Company by reason of being an associate of and ultimately wholly-owned by Mr. Meng Guang Bao (孟廣寶), who is the chairman, an executive Director and a substantial shareholder (as defined under the Listing Rules) of the Company, as the vendor, pursuant to which the vendor has conditionally agreed to sell and the purchaser has conditionally agreed to purchase:- (i) the entire equity interest in Baohua Properties (Huai'an) Limited* (保華地產(淮安)有限公司), a company established in the PRC with limited liability which is principally engaged in the real estate development and sale; and (ii) debt in the sum of RMB160.0 million (equivalent to approximately HK$182.4 million) after restructuring which is owed by Baohua Properties (Huai'an) Limited* (保華地產(淮安)有限公司) to the vendor, at the consideration of RMB180 million in aggregate (equivalent to approximately HK$205.2 million), subject to adjustment as stated in the announcement of the Company dated 21 September 2018. The said consideration shall be satisfied by the issue of the convertible bonds in the principal amount of HK$205.2 million to the vendor or its nominee, which is convertible into 5,400,000 new shares of the Company assuming the conversion rights are exercised in full at the conversion price of HK$38.00 per conversion share which is subject to adjustment.

11. GENERAL

(a) The company secretary of the Company is Mr. Tam Ka Lung, 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 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.

12. 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 annual reports of the Company for the three financial years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively;

(c) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(d) the accountants' reports on the Target Companies, the text of which is set out in Appendix II (A), Appendix II (B), and Appendix II (C) to this circular;

(e) the valuation report in relation to the assets held by the Target Companies, the text of which is set out in Appendix V to this circular;

(f) the PRC legal opinions in relation to the properties held by the Target Companies;

(g) each of the material contracts as referred to in the section headed "Material contracts" in this appendix;

(h) the written consent referred to in the section headed "Qualifications and consents of experts" in this appendix;

(i) the circular dated 29 November 2017 issued by the Company; and

(j) this circular.

* *For identification purposes only*