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

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

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HUAJUN INTERNATIONAL GROUP LIMITED

華君國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE EQUITY INTERESTS IN AND DEBT OWED BY
BAOHUA PROPERTIES (HUA'AN) LIMITED*
AND
(II) ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



中國農信財務顧問有限公司

China AF Corporate Finance Limited

A notice convening the special general meeting of the Company (the “SGM”) to be held at 3:00 p.m. on Friday, 22 February 2019 at Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong is set out on pages V-1 to V-3 of this circular.

Whether or not you are able to attend and vote at the SGM in person, you are requested to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King’s Road, North Point, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

25 January 2019

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DEFINITIONS

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

“Acquisition”	the acquisition of the Target Equity Interest and the Debt contemplated under the Agreement
“Agreement”	the Agreement dated 21 September 2018 entered into by the Vendor and the Purchaser in respect of the Acquisition
“Announcement”	the announcement of the Company dated 21 September 2018 relating to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder of the Convertible Bonds
“Business Day(s)”	a day (excluding Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted or a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong and PRC are generally open for business
“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 is ultimately wholly-owned by Mr. Meng
“closing price”	closing price per Share for any trading day as published by the Stock Exchange
“Company”	Huajun International Group Limited (Stock Code: 377), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement

DEFINITIONS

“Completion Date”	the date on which Completion take place in accordance with the Agreement, which is within five Business Days after the date of fulfilment (or waiver, as the case may be) of the last of the Conditions (or such other date as the Purchaser and the Vendor shall agree in writing)
“Condition(s)”	the conditions precedent of the completion of the Agreement as set out in the paragraph headed “Conditions Precedent” in the Letter of the Board in of this circular
“Conditions Fulfillment Date”	31 March 2019 or such later date as agreed between the parties
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	collectively the Equity Consideration and the Debt Consideration
“Conversion Period”	the period commencing from the date of issue of the Convertible Bonds and ending on the date which falls on the Business Day immediately before Maturity Date, both dates inclusive
“Conversion Price”	the conversion price of HK\$38.00 per Conversion Share
“Conversion Rights”	the conversion rights attaching to the Convertible Bonds to convert the principal amount or a part thereof into Conversion Shares
“Conversion Shares”	the 5,400,000 new Shares which may fall to be allotted and issued to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor, for the purpose of fully settling the Consideration
“Convertible Bonds”	convertible bonds in the aggregate principal amount of HK\$205.2 million to be issued by the Company pursuant to the Agreement, for the purpose of settling the Consideration

DEFINITIONS

“Debt”	an aggregate amount of not less than RMB160.0 million (equivalent to approximately HK\$182.4 million) owed by the Target Company to the Vendor upon the completion of the Debt Restructuring
“Debt Consideration”	RMB160.0 million (equivalent to approximately HK\$182.4 million), being the consideration for the Debt under the Agreement
“Debt Restructuring”	the restructure of the liabilities of the Target Company to be conducted pursuant to the Agreement as described in the paragraph headed “Asset to be acquired — Debt” in this circular
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group and the Target Company
“Equity Consideration”	RMB20 million (equivalent to approximately HK\$22.80 million), being the consideration for the Target Equity Interest under the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bonds
“Independent Financial Adviser” or “China AF”	China AF Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate

DEFINITIONS

“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreement and the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate
“Independent Third Party(ies)”	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules), and the term “Independent Third Party” shall be construed accordingly
“Independent Valuer”	Avista Valuation Advisory Limited, the independent valuer engaged by the Purchaser for preparing the valuation report in respect of the valued amount of the Property Development
“Last Trading Date”	20 September 2018, being the last trading day immediately before entering into the Agreement
“Latest Practicable Date”	22 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Committee”	has the meaning ascribed to it in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Madam Bao”	Madam Bao Le (鮑樂), the spouse of Mr. Meng
“Maturity Date”	the date falling on the expiry of a 5 calendar years’ period which shall commencing from the date of issue of the Convertible Bonds
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder (as defined under the Listing Rules) of the Company

DEFINITIONS

“October 2018 CB”	the convertible bonds in the aggregate principal amount of HK\$1,000,000,000 to be issued by the Company, pursuant to the subscription agreement dated 26 October 2018 entered into between CHG and the Company. For details of the said subscription, please refer to the announcement of the Company dated 26 October 2018
“October 2018 Conversion Shares”	26,315,789 new Shares which may fall to be allotted and issued to CHG at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by CHG, subject the completion of the subscription of October 2018 CB by CHG
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	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
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issuance of the Conversion Shares to be granted to the Directors by the Independent Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the SFC from time to time

DEFINITIONS

“Target Company”	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, as advised by the Vendor, is wholly-owned by the Vendor as at the Latest Practicable Date
“Target Equity Interest”	the entire equity interest in the Target Company
“Target Land”	the land parcel situate at No. 8 Guangzhou Road, Qinghe District, Huai’an City, Jiangsu Province, the PRC, with a total area of approximately 13,485.5 square meters
“Vendor”	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
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

* For identification purposes only. The Chinese names of the respective individuals and entities have been translated into English in this circular. In the event of any discrepancies between the Chinese names and the corresponding English translation, the Chinese names prevail.

For the purposes of illustration only, any amount denominated in RMB in this circular was converted into HK\$ at the rate of RMB1 = HK\$1.14. Such conversion should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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



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

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Mr. Zheng Bailin

Mr. Shen Ruolei

Mr. Pun Chi Ping

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

36/F., Champion Tower

3 Garden Road

Central

Hong Kong

25 January 2019

To the Shareholders,

Dear Sir/Madam,

**(I) DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE EQUITY INTERESTS IN AND DEBT OWED BY
BAOHUA PROPERTIES (HUAI'AN) LIMITED*
AND
(II) ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

References are made to the Announcement in relation to issue of Convertible Bonds under Specific Mandate which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Board proposes to seek the approval of the Independent Shareholders for the issue of Convertible Bonds under Specific Mandate.

LETTER FROM THE BOARD

The purpose of this circular is to provide you, among others:

- (a) details of the Acquisition and issue of Convertible Bonds under Specific Mandate;
- (b) the recommendations of the independent non-executive Directors in relation to the Agreement and issue of Convertible Bonds under Specific Mandate;
- (c) the recommendations of the Independent Financial Adviser in relation to the Acquisition, the Agreement and issue of Convertible Bonds; and
- (d) a notice of the SGM for passing the relevant ordinary resolutions.

1. THE AGREEMENT

On 21 September 2018 (after trading hours), the Purchaser entered into the Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest and the Debt at the Consideration of RMB180.0 million (equivalent to approximately HK\$205.2 million), subject to adjustment, comprising of RMB20.00 million (equivalent to approximately HK\$22.80 million) being the consideration for the Target Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the Debt. The Consideration shall be satisfied by the issue of the Convertible Bonds to the Vendor or its nominee.

Date : 21 September 2018 (after trading hours)

Parties : Purchaser: Baohua Properties (China) Limited* (保華地產(中國)有限公司), the indirect wholly-owned subsidiary of the Company

Vendor: 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 principally engaged in, among other things, property development and property management.

As at the Latest Practicable Date, the Vendor is ultimately wholly-owned by Mr. Meng, the Vendor is therefore an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM.

LETTER FROM THE BOARD

Assets to be acquired

Target Equity Interest

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest, representing the entire equity interest of the Target Company, and the Debt at the Consideration.

Upon Completion, the Target Company will become the indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

As advised by the Vendor, the Target Company currently owns the Target Land, which is situate at No. 8 Guangzhou Road, Qinghe District, Huai'an City, Jiangsu Province, the PRC of commercial use, with a total site area of approximately 13,485.5 square meters. As advised by the Vendor, an apartment hotel/office (公寓式酒店/辦公室) and commercial complex (the "**Property Development**") is currently being constructed on the Target Land. As advised by the Vendor, at the Latest Practicable Date the Target Land has been pledged in favour of an Independent Third Party for the use by an entity controlled by Mr. Meng for a loan at the sum of approximately RMB310 million which pledge has not yet been released. The said pledge shall be released prior to the Completion. It is a condition precedent for Completion that the Target Land is free from any encumbrance or third party's rights. Please refer to condition (d) under the heading "Conditions Precedent" in this letter from the Board.

As advised by the Vendor, the construction of the external structure of the Property Development has been completed and the internal decoration work is under process and expected to be completed in the first quarter of 2019. As advised by the Vendor, upon Completion, the Property Development will have a total gross floor area of approximately 59,474.94 sq.m. and the breakdown is as follows:

	Gross Floor Area (sq.m.)
- Apartment hotel/office	23,260.96
- Commercial Building	22,516.91
- Utility and Ancillary	1,899.69
- Under Ground Area	11,797.38
	<hr/>
Total	59,474.94
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LETTER FROM THE BOARD

As further advised by the Vendor, the Target Company has obtained all necessary licenses/permits for the development of the Target Land. After consultation with the Company's PRC lawyer, the Company understands that the existing use, namely, as an apartment hotel/office and commercial complex, of the Target Land, has been lawfully approved in accordance with the PRC Construction Planning Permit (《中華人民共和國建設工程規劃許可證》) and the Explanation on the Contents of the Enclosure to Huaian Xiangfeng Real Estate Co., Ltd* (淮安翔峰置業有限公司)'s the Construction Planning Permit (《關於淮安翔峰置業有限公司〈建設工程規劃許可證〉附件有關內容的說明》) issued by the Huaian City Planning Bureau (淮安市規劃局). According to the legal opinion sought by the Company from its PRC lawyer, the said existing use of the Target Land is in accordance with and not against the land use right certificate of the Target Land.

Subject to the Completion and the completion of the construction of the Property Development as scheduled, the sale of the units of Property Development is estimated to be taken place in 2019. After completion of the Acquisition, the Company does not have any plan to make any further financial commitment in relation to the Property Development, except with the construction or development cost of the Target Land of approximately of RMB25 million (which has been committed), which will be borne by the Company. The construction or development cost of the Target Land already incurred as at the Latest Practicable Date was RMB176 million. Should there be any such financial commitment arise, the Company will finance it with internal resources of, or external borrowing made by, the Target Company, if necessary and appropriate. As at the Latest Practicable Date, the Company has not obtained any external borrowing to finance any commitment in relation to the Target Land.

The Company has not entered into or will not enter into (i) any construction contracts in relation to the Target Land and (ii) any sales contracts in relation to the units of the Property Development prior to the Completion.

Debt

As advised by the Vendor, the outstanding debts of the Target Company as at the date of the Agreement is approximately RMB337 million. Pursuant to the Agreement, the Vendor shall carry out the Debt Restructuring prior to the Completion, being one of the Conditions, so that upon the completion of the Debt Restructuring:

- (a) the Vendor will own the outstanding debts of the Target Company in the sum of RMB337 million;
- (b) the Target Company will not owe any liabilities to third party, save as the item (a) above;
- (c) the Vendor will assign the Debt, which is the outstanding debts of RMB160.0 million (currently including intercompany advances; and construction payables) owed by the Target Company, to the Purchaser; and
- (d) the Vendor shall waive the payment obligations of the Target Company in respect of the remaining outstanding debts in the sum of approximately RMB177 million owed by the Target Company to the Vendor.

LETTER FROM THE BOARD

The outstanding debts of the Target Company is comprised of mainly the construction related payables of appropriately RMB131.6 million and other payable of appropriately RMB205.4 million.

As advised by the Vendor, as at the Latest Practicable Date, the Debt Restructuring is in progress and not yet completed, which is expected to be taken place on or before 31 March 2019.

Consideration

The Consideration for the Target Equity Interest and the Debt shall be in aggregate of RMB180.0 million (equivalent to approximately HK\$205.2 million), subject to adjustment, comprising of RMB20.00 million (equivalent to approximately HK\$22.80 million) being the consideration for the Target Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the Debt. Pursuant to the Agreement, the Vendor and the Purchaser has agreed the exchange rate to be at the rate of RMB1 = HK\$1.14.

The Consideration, subject to adjustment, shall be fully settled by the Purchaser by the issue of the Convertible Bonds with a principal amount of HK\$205.2 million at the Conversion Price of HK\$38.00 (subject to adjustment) by the Company to the Vendor or its nominee within 20 Business Days after the Completion Date.

The initial Consideration of RMB180.0 million is subject to downward adjustment based on the valued amount of the Property Development (the "**Target Value**") pursuant to the valuation report (the "**Valuation Report**") prepared by the Independent Valuer before Completion, which is annexed to this circular as Appendix III.

AVISTA Valuation Advisory Limited, the Independent Valuer is a firm of professional surveyors and valuation consultants in Hong Kong. Qualification of the Independent Valuer is set out in Page III-5 to this circular. As disclosed in the section headed "Qualifications and Consents of Experts" of Appendix IV to this circular, at the Latest Practicable Date, the Independent Valuer 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 or are proposed to be acquired or disposed of by or leased to any member of the Group. Based on the above, the Board believes that the Independent Valuer has possessed the competency and independence to provide its professional service to carry out the valuation of the property interests held by the Target Company.

As disclosed in the property valuation report in Appendix III to this circular, the Independent Valuer has adopted the market approach and the valuation is based on the following assumptions:-

1. all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delay;

LETTER FROM THE BOARD

2. the property will be developed and completed in accordance with the latest development proposal provided to the Independent Valuer by the Target Company;
3. the title owner of the properties has an enforceable title of the property interests and has 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;
4. the property concerned is in vacant possession;
5. 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;
6. the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted;
7. full compliance with applicable national, provincial and local environmental regulations and laws is assumed;
8. 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 valuation report covers;
9. all applicable zoning and use regulations and restrictions have been complied with unless non-conformity has been stated, defined and considered in the valuation report; and
10. there was not any material change of the properties in between dates of the inspection by the Independent Valuer and the Date of Valuation.

For details, please refer to the Valuation Report in Appendix III to this circular.

The Company had discussed with the Independent Valuer on the applicability of different valuation approaches and methodologies for valuing the property interests held by the Target Company. After considering the physical characteristic and facts specific to the said property interest, the Independent Valuer considered that the market approach was the most suitable valuation methodology for valuing the said property interest as the relevant property is currently under development.

LETTER FROM THE BOARD

The Board is of the view that the market comparables adopted by the Independent Valuer in the valuation of the Target Land is fair and reasonable as the market comparables are in similar usage with the subject property apartment hotel/office in both construction design and 40 years tenure.

The Independent Valuer has also considered the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of cost and fees that expected to be incurred for completing the development. Furthermore, the market approach is one of the commonly adopted approaches for valuation of properties and is consistent with normal market practice. In view of the above, after the Company's review of the supporting documents by our PRC lawyers, including the title documents of the property held by the Target Company and discussion with the Independent Valuer, to its best knowledge, the Company did not identify any major factors which cast any doubt on the fairness and reasonableness of the valuation methodology and key assumptions adopted in the Valuation Report.

If the Target Value is less than RMB180.0 million, the Debt Consideration shall be adjusted downward to the Target Value accordingly on a dollar to dollar basis. If the Target Value is equal to or more than RMB180.0 million, there shall not be any adjustment to the Consideration. As the Target Value is approximately RMB238.6 million pursuant to the Valuation Report, no adjustment to the Consideration will be made.

The Consideration will be fully settled by the issue of Convertible Bonds by the Company.

The Convertible Bonds carry the right to convert into the Conversion Shares at the Conversion Price of HK\$38.00 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 5,400,000 new Shares, being the Conversion Shares, will fall to be allotted and issued to the Vendor or its nominee, representing approximately 8.90% of the issued share capital of the Company as at the date of the Announcement and approximately 8.17% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares. The Conversion Shares (which may fall to be allotted and issued upon the exercise of the Conversion Rights) will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

LETTER FROM THE BOARD

Basis of Consideration and Conversion Price

The Consideration (including the Equity Consideration and Debt Consideration) and the Conversion Price were determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms with reference to (i) the preliminary valuation of the Property Development of approximately RMB214.0 million as at 30 April 2018 prepared by the Independent Valuer; (ii) the Debt in the sum of RMB160.0 million to be assigned pursuant to the Agreement after the completion of Debt Restructuring; and (iii) the paid-up capital of the Target Company in the sum of RMB20.0 million; and (iv) the benchmark prices as disclosed under the paragraph headed "Conversion Price" below in this circular. The Board noted that the Conversion Price represents a discount of approximately 20.28% to the audited net asset value of approximately HK\$47.67 per Share of the Company as at 31 March 2018. The Board further noted that during the period from 1 June 2018 (about six months prior to the Last Trading Day) up to the Last Trading Day, the Shares had been consistently traded at a discount to the net asset value per Share, ranging from approximately 5.07% to 55.9%, with an average of approximately 35.8%.

Accordingly the Board considers that it would be more appropriate to determine the Conversion Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the net asset value per Share. To maximise the interest of the Company and its Shareholders as a whole the Board insisted to set the Conversion price at substantial high premium instead. After various arm's length negotiation between the Company and the Purchaser, the Board has eventually successfully set the Conversion Price at a relatively high price as compared to the prevailing market price, to maximizing the interest of the Company and its Shareholders as a whole. Furthermore, the Consideration, being RMB180.00 million, is comparatively lower than the aggregate amount of the said preliminary valuation of the Property Development and the Debt, being RMB374 million. To the best knowledge of the Board, the Company has obtained quite a bargain price for the Target Equity Interest and the Debt. In light of the above. The Board considers that the Consideration, the Conversion Price and the terms and conditions of the Agreement are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Conversion Price

The Conversion Price of HK\$38.00 per Conversion Share, representing:

- (a) premium of approximately 72.73% over the closing price of HK\$22.00 per Share as quoted on the Stock Exchange on Last Trading Date;
- (b) a premium of approximately 76.74% over the average closing price of HK\$21.50 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date;
- (c) a premium of approximately 70.20% over the average closing price of HK\$22.33 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Date;
- (d) a premium of approximately 230.43% over the closing price of HK\$11.50 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (e) a discount of approximately 20.28% over the audited net asset value of HK\$47.67 per Share of the Company as at 31 March 2018 (based on the then total 60,669,200 issued Shares as at 31 March 2018).

The Conversion Price was determined after arm's length negotiation between the Company and the Vendor with reference to the prevailing market price of the Shares and premium of approximately 10% over the conversion price of HK\$34.00 per conversion share under the outstanding convertible bonds issued by the Company. Based on the basis of the determination of the Conversion Price as stated above under the paragraph headed "Basis of Consideration and Conversion Price", although the Board noted that the Conversion Price represents a discount of approximately 20.28% to the audited net asset value of approximately HK\$47.67 per Share of the Company as at 31 March 2018, the Board have considered the facts that the Conversion Price represents substantial premium over most of the benchmark prices set out above, therefore the Directors consider that the Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Purchaser and the Vendor and are summarised as follows:

Issuer	:	the Company
Principal amount	:	HK\$205.2 million
Conversion Price	:	HK\$38.00 per new Share, subject to adjustment
Maturity Date	:	the date falling five years from the date of issue of the Convertible Bonds
Interests	:	1.5% per annum payable each anniversary year of issue in arrear

The interest of the Convertible Bonds is at the nominal rate of 1.5% per annum, which is determined between the Company and the Vendor in arm's length negotiation. Such interest rate is much lower than the standard rate of 4.75% per annum for mid to long term loan (i.e. terms varied from 1 to 5 years) promulgated by The People's Bank of China. As an associate of the substantial shareholder of the Company, the Vendor agreed a low interest rate for the Convertible Bonds so that the Company's financial burden incurred by any interest payable can be minimized.

Redemption	:	<i>At Maturity</i>
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all outstanding principal amount of the Convertible Bonds which have not been redeemed or converted in accordance with the conditions set out in the instrument of the Convertible Bonds by the Maturity Date will be automatically redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds, unless the Bondholders request for full conversion of their Convertible Bonds

LETTER FROM THE BOARD

On demand by the Company

the Company has the right, at its option, to redeem the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder, as determined by the Company, by notice

No events of default will trigger redemption of the Convertible Bonds.

Conversion Rights : each Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into such number of Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion

Conversion Restriction : Conversion shall be subject to the following further conditions:

- (a) any exercise of Conversion Rights shall not trigger any mandatory offer under Rule 26 of the Takeovers Code, and in any event, any exercise of Conversion Rights shall not render Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules;
- (b) any exercise of Conversion Rights shall be subject to all applicable legal requirements, rules and regulations, including but not limited to the Listing Rules and the Takeovers Code; and
- (c) any conversion shall be in denominations and integral amounts of HK\$1,000,000.

The minimum public float required under the Listing Rules is 25%.

LETTER FROM THE BOARD

Transferability : the Convertible Bonds (nor any part thereof) can be transferred without the prior written consent of the Company, save and except to a connected person of the Company any transfer of any Convertible Bonds shall be in respect of the whole or any part (in an amount not less than HK\$1,000,000 or such other amount to be agreed by the Company) of the outstanding principal amount of that Convertible Bonds

Ranking : the obligations of the Company arising under the Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. Conversion Shares, when issued, shall rank pari passu in all respects with all other existing Shares in issue at the date of conversion

Adjustment Events : the Conversion Price shall be subject to adjustment upon occurrence of the following:

(a) consolidation and subdivision:

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

LETTER FROM THE BOARD

Such adjustment shall become effective from the day on which such consolidation or subdivision becomes effective.

- (b) capitalisation of profits or reserves.

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve), other than Shares issued *in lieu* of the whole or a part of a cash dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where

- A is the aggregate nominal amount of the issued Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective from the day of such issue of Shares.

Save as disclosed above there is no other adjustment events to the Conversion Price.

Voting Rights : the holders of the Convertible Bonds will not be entitled to attend or vote at any meetings of the Company.

LETTER FROM THE BOARD

Having considered the facts that (i) the Conversion Price represents substantial premium over each of the benchmark prices set out under the paragraph headed “The Agreement — Conversion Price” in this letter likely to be offered; (ii) the interest rate of 1.5% per annum is much lower than the interest rate likely to be offered by banks or third parties in the market with the same or similar terms; and (iii) the other terms of the Convertible Bonds are on normal commercial terms, the Board is of the view that the terms of the Convertible Bonds are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Application of Listing

No listing of the Convertible Bonds will be sought from the Stock Exchange or any other stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

Conditions Precedent

Completion is subject to the fulfillment of the following Conditions on or before the Conditions Fulfillment Date:

- (a) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Conversion Shares;
- (b) the Company has obtained the Independent Shareholders’ approval in relation to the Agreement and the transactions contemplated thereunder including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares at the SGM;
- (c) the Vendor is the legal and beneficial owner of the Target Equity Interest and the Debt, which are free from any encumbrance or third party’s rights;
- (d) the Target Company is the legal and beneficial owner of the Target Land and assets held by the Target Company, which are free from any encumbrance or third party’s rights;
- (e) the Debt Restructuring has been completed and the Purchaser has received (and being satisfied with) all documents and evidence proving that the Debt Restructuring has been completed;
- (f) the completion of the transfers of Target Equity Interest and the Debt has been complied with the relevant PRC laws simultaneously to the satisfaction of the Purchaser;
- (g) the Purchaser has received and being satisfied with the Valuation Report;

LETTER FROM THE BOARD

- (h) the management of Target Company has not done any act which may result material adverse change on the business, assets, properties, financial condition, operation and prospect of Target Company before and at the Completion Date; and the representations, warranties and undertakings given by the Vendor are true and accurate on the Completion Date;
- (i) the Vendor has obtained all necessary approvals and authorisations from third parties in respect of the Acquisition and relevant matters; and
- (j) the representations, warranties and undertakings given by the Vendor have remained true, accurate and not misleading in all material respects and no breach of any of such warranties in any respect has been made by the Vendor.

Save as Condition (c), none of the Conditions can be waived by the Vendor and/or the Company. As pursuant to the Agreement, the Vendor shall change the registration of the ownership of the Target Equity Interest from the Vendor to the Purchaser within 5 days from the date of the Agreement, the legal owner of the Target Equity Interest will be the Purchaser prior to the Completion Date. As stated below, the registration of the change of ownership of the Target Equity Interest from the Vendor to the Purchaser was completed on 12 November 2018. The transfer of the Debt referred in Condition (f) has not yet been fulfilled as at the Latest Practicable Date. Condition (f) will also be fulfilled on Completion. Condition (c) will be fulfilled on Completion. If any of the Conditions has not been fulfilled (or waived, as the case maybe) by the Conditions Fulfillment Date, the Agreement shall lapse.

As at the Latest Practicable Date, save as Condition (g), none of the Conditions has been fulfilled.

Completion

Within 5 days from the date of the Agreement, the Vendor shall, among other things, proceed to (a) change the registration of ownership of the Target Equity Interest from the Vendor to the Purchaser; and (b) the legal representative, director, supervisor, business license, organization code certificate, account opening permit, credit institution code certificate, land registration information as directed by the Purchaser. It is the intention and the agreement between the parties to Agreement that the Purchaser will secure the ownership of the Target Equity Interest prior to the Completion.

The registration of the change of ownership of the Target Equity Interest from the Vendor to the Purchaser was completed on 12 November 2018.

LETTER FROM THE BOARD

The Completion shall take place upon within 5 Business Days after all Conditions having been fulfilled or such other date agreed by the parties in writing. The expected date of Completion will be on or before 31 March 2019.

Upon Completion, the Target Company will become the indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Enlarged Group.

Information of the Purchaser

The Purchaser is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in, among other things, the real estate information consultation and property management.

Information of the Target Company

As advised by the Vendor, the Target Company is a company established in Huai'an City, Jiangsu Province, the PRC with limited liability in April 2010, which is wholly-owned by the Vendor. As further advised by the Vendor, the Target Company is principally engaged in the real estate development and sale as carried out in Huai'an City, Jiangsu Province, the PRC.

Financial Information of the Target Company

Set out below are the unaudited financial information of the Target Company prepared in accordance with the generally accepted accounting principles adopted in the PRC for (i) each of the two financial years ended 31 December 2016 and 31 December 2017 and (ii) the eight months ended 31 August 2018, as extracted from its unaudited management accounts of the Target Company provided by the Vendor (for illustration purposes only):

	For the year ended 31 December 2016 (RMB'000) (unaudited)	For the year ended 31 December 2017 (RMB'000) (unaudited)	For the eight months ended 31 August 2018 (RMB'000) (unaudited)
Net loss for the period before taxation	187	665	1,794
Net loss for the period after taxation	187	665	1,794

Based on the unaudited management account of the Target Company provided by the Vendor, the unaudited net asset value and total asset value of the Target Company as at 31 August 2018 were approximately RMB13.6 million and approximately RMB350.6 million, respectively.

LETTER FROM THE BOARD

The significant increase in net loss incurred by the Target Company for the eight months ended 31 August 2018 (i.e. RMB1,794,000) comparing to the year ended 31 December 2017 (i.e. RMB665,000) was due to the increase of administrative expenses, including the staff cost. The reason for the increase in staff cost is that more general and management staff were employed to manage the Target Company.

As advised by the Vendor, the original acquisition cost of the Target Equity Interest to the Vendor was approximately RMB160 million. As further advised by the Vendor, it acquired the Target Equity Interest from an Independent Third Party in or about December 2016.

Taking into consideration of the facts that (i) the Target Value is approximately RMB238.60 million pursuant to the Valuation Report; and (ii) the original acquisition cost of the Vendor does not reflect the actual value of the property interest held by the Target Company, the Board considers that the Consideration is fair and reasonable.

2. EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 60,669,200 Shares in issue. The shareholding interest of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding; and (iii) immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company having been converted into new Shares of the Company are as follow:

LETTER FROM THE BOARD

3. MANDATE TO ISSUE THE CONVERSION SHARES

The Agreement and the transactions contemplated thereunder, including the allotment and issue of the Conversion Shares under Specific Mandate of the Company, are subject to the approval of the Independent Shareholders at the SGM.

No listing of the Convertible Bonds will be sought from the Stock Exchange or any other stock exchange.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares that may be allotted and issued upon conversion of the Convertible Bonds.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC. Through the Acquisition, the Group will acquire the interest of the Target Land. The Acquisition, subject to the Completion, will enrich the asset portfolio of the Group and provide an investment opportunity for the Group to enjoy the asset appreciation while generating stable revenue, which will potentially bring a greater return for its Shareholders in a long run. The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC.

Mr. He Shufen (何樹芬先生), the executive Director of the Company, has extensive experience, expertise and qualification in management and operation of large-scale property development projects. Subject to the Completion, Mr. He will oversee the development and sale of Property Development.

As the construction of the Property Development is almost completed, subject to the Completion, the Company expects to be able to sell the units of the Property Development soon. Furthermore, according to the preliminary valuation prepared by the Independent Valuer, the value of the Property Development as at 30 April 2018 was RMB214,000,000, which is significantly higher than the Consideration of RMB180,000,000. Overall the Acquisition, subject to the Completion, will enrich the asset portfolio of the Group and provide an investment opportunity for the Group to enjoy the asset appreciation while generating stable revenue, which will potentially bring a greater return for its Shareholders in a long run.

LETTER FROM THE BOARD

Subject to the Completion, the Company will incur additional cost of RMB25 million for the interior decoration of the Property Development, which will result a cash outflow. Furthermore, the property market in Huai'an City may change and if the property market becomes sluggish, the sale of the Property Development may not meet the expectation of the Company as planned.

Prior to the entering into the Agreement, the Company had explored and evaluated other possible methods as alternative settlement for the Consideration, such as cash payment.

In view of the construction and development of the Target Land to be incurred, the Directors expect the future capital requirement by the Group may be significant. Accordingly, the Directors considers that it is in the benefit of the Group to preserve its cash flow and to maintain a strong cash position for the time being in order to satisfy the anticipated capital needs that may arise in the future and not to proceed the settlement of the consideration by way of cash payment. Furthermore, as the settlement of the consideration by way of issue of Conversion Shares and Convertible Bonds would not cause or create any cash outflows, the current and future liquidity position of the Group can be properly maintained.

As the Consideration is fully satisfied through the issue of the Convertible Bonds at an interest of 1.5% per annum only, the Company will not face any immediate huge amount of cashflow burden, and hence can utilise its existing fund on the capital needs of the development of the Target Land, the general working capital of the Group or other investment opportunities, if appropriate.

The Board has also considered other alternative equity fund raising means including placing of new shares, rights issue or open offer. The Board considers that the rights issue or open offer might incur costly underwriting commission and the process would be relatively time-consuming. With regard to the placing of new shares, it might be difficult for the Board to locate placee(s) who are willing to invest in large sum given the current fluctuation of the stock market and global financial conditions. In light of the above, the Board considers that it is unlikely that the Group could secure a committed placee with favorable terms in a short period of time.

Although the allotment and issue of Conversion Shares might dilute the shareholding interests of the existing public Shareholders in the Company in future, the collective shareholding in the Company held by Mr. Meng, CHG and their respective associates shall never reach more than 75%. Furthermore, by way of allotment and issue of Conversion Shares, the Company's gearing ratio will be decreased accordingly. The Company has considered alternative debt financing. However, the use of debt financing may (i) create immediate additional interest burden to the Group, which might affect the Group's financial performance; (ii) involve provision of security; and (iii) subject to, including but not limited to, lengthy due diligence procedures to be carried by the lending banks, if required, and negotiations with the banks with regards to the Group's financial position and capital structure; and (iv) the then prevailing stock market condition, the Directors consider that debt financing is uncertain and time consuming in compared to the issue of Convertible Bond.

LETTER FROM THE BOARD

As pursuant to the terms of the Convertible Bonds, exercise of the Conversion Rights shall not render the Shares held in the public hands being less than the minimum public float of the Shares required under the Listing Rules, the shareholding in the Company held by the public Shareholders would be diluted from 25.46% to 25.00%, representing a decrease in shareholding held by public Shareholders of approximately 0.46% (i.e. 25.46%–25.00%) (for information, the theoretical dilution impact is 25.46% - 23.38% = 2.08%), immediately upon the conversion of the maximum amount of the Convertible Bonds into the Conversion Shares by CHG and assuming all other existing conversion bonds issued by the Company remain outstanding.

Taking into account of that (i) the interest rates under the Convertible Bonds is comparatively low in view of the 5-year term of the Convertible Bonds; (ii) the potential dilution impacts of the Convertible Bonds due to the exercise of the Conversion Rights by CHG is insignificant; (iii) the dilution effect of the Convertible Bonds is not imminent; and (iv) the terms of the Convertible Bonds are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the Board is of the view that the overall benefits of settling the Consideration by way of issuance of the Convertible Bonds outweighs the potential detriment of interest of the minority Shareholder due to the potential dilution impact from the allotment and issue of Conversion Shares.

As at the Latest Practicable Date, 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.

The Directors, excluding (i) Mr. Meng, who had abstained from voting on the relevant resolutions at the board meeting and will be abstained from voting on the relevant resolutions at the SGM; and (ii) the independent non-executive Directors whose view will be provided after taking into account the opinion and advice from the Independent Financial Adviser, consider that the terms of the Agreement including the term for issue of the Convertible Bonds, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

5. FINANCIAL EFFECT OF THE ACQUISITION

Immediately upon the Completion, the assets of the Group would have increased by RMB238.6 million and the liabilities of the Group would have increased by RMB180.0 million, and the net assets would have increased by RMB58.6 million because the fair value of the properties held by the Target Company of RMB238.6 million exceeds the Consideration of RMB180 million. The excess of RMB58.6 million would be recorded as contributed capital from the Shareholders since the date of Completion. Immediately upon the Completion, the earnings of the Group would not be affected.

LETTER FROM THE BOARD

6. EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS PERIOD FROM THE LATEST PRACTICABLE DATE

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

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
26 October 2018	Issue of convertible bonds under specific mandate	Approximately HK\$999,400,000	(i) HK\$502,140,000 for repayment of borrowings (ii) HK\$198,240,000 for payment payable or to be payable for construction costs of existing property projects of the Group (iii) HK\$299,020,000 for partial considerations for the acquisition of the entire equity interests in and debts owed by Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司) and Jiangsu Xietong Solar Technology Co., Ltd. (江蘇協通光伏科技有限公司) (For details, please refer to the announcement published by the Company on 5 December 2018)	Not yet utilized as the issue of convertible bonds under specific mandate is subject to approval of Independent Shareholders

7. IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

LETTER FROM THE BOARD

Mr. Meng is a controlling shareholder and an executive director of the Company. As at the Latest Practicable Date, the shareholding of Mr. Meng in the Company is as follows:

Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
769,640 (L)	Beneficial owner	1.27%
44,450,619 (L)	Interest of controlled corporation (<i>Note (a)</i>)	73.27%
387,351 (L)	Share Options	0.64%

Note:

- (a) 44,202,780 Shares are held by CHG as long position. The entire issued share capital of CHG is beneficially owned by Huajun Group Limited (華君集團有限公司), which is directly wholly-owned by Mr. Meng. Madam Bao, being spouse of Mr. Meng, was also deemed to be interested in the Shares held by CHG and Mr. Meng.

The letter “L” denotes a long position in the shares.

As at the Latest Practicable Date, the Vendor is ultimately wholly-owned by Mr. Meng, therefore, the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. As the relevant percentage ratios for the Acquisition exceeds 5%, the Acquisition constitutes non-exempt connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders’ approval requirements pursuant to Chapter 14A of the Listing Rules.

The Vendor, Mr. Meng and their respective associates are required to abstain from voting on the resolutions in respect of the Acquisition and issue of the Convertible Bonds at the SGM. Mr. Meng had also abstained from voting on the resolutions passed by the Board to approve the Agreement and the transactions contemplated thereunder. To the best of the Directors’ information, belief and knowledge, save for the Vendor, Mr. Meng and their respective associates, no other Shareholders have any material interest in the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate.

LETTER FROM THE BOARD

8. RECOMMENDATION

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

9. SGM

A SGM will be convened will be held on Friday, 22 February 2019 at 3:00 p.m. at Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong, during which resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among other matters, approve the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate.

The notice of the SGM is set out in the Appendix V of this circular. A form of proxy for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish.

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

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

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

Shareholders and potential investors should note that completion of the Acquisition is subject to fulfillment of the Conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

Your faithfully,
By Order of the Board
TAM Ka Lung
Company Secretary



HUAJUN INTERNATIONAL GROUP LIMITED

華君國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
36/F, Champion Tower,
3 Garden Road,
Central,
Hong Kong

25 January 2019

To the Independent Shareholders

Dear Sir or Madam,

THE AGREEMENT AND TRANSACTIONS CONTEMPLATED THEREUNDER

We refer to the circular dated 25 January 2019 of the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bonds under the Specific Mandate, and to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder, including the issue of Convertible Bonds under the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

APPENDIX I LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Upon taking into account the recommendation of the Independent Financial Adviser, we consider that the Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bonds under the Specific Mandate are on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bonds under the Specific Mandate.

Yours faithfully,

Zheng Bailin
Independent
Non-executive Director

Shen Ruolei
Independent
Non-executive Director

Pun Chi Ping
Independent
Non-executive Director

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions, which has been prepared for the purpose of inclusion in the Circular.



中國農信財務顧問有限公司
China AF Corporate Finance Limited

China AF Corporate Finance Limited
Units 2303-2306, 23/F.,
Great Eagle Centre
23 Harbour Road
Wanchai
H.K.

25 January 2019

To: The Independent Board Committee and the Independent Shareholders

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE EQUITY INTERESTS IN AND DEBT OWED BY
BAOHUA PROPERTIES (HUAI'AN) LIMITED
AND
ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 25 January 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 21 September 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest and the Debt at the Consideration of RMB180.0 million (equivalent to approximately HK\$205.2 million), subject to adjustment, comprising of RMB20.00 million (equivalent to approximately HK\$22.80 million) being the consideration for the Target Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the Debt. The Consideration shall be satisfied by the issue of the Convertible Bonds to the Vendor or its nominee.

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but fall below 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

As at the Latest Practicable Date, the Vendor is ultimately wholly-owned by Mr. Meng, therefore, the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. As the relevant percentage ratios for the Acquisition exceeds 5%, the Acquisition constitutes non-exempt connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Vendor, Mr. Meng and their respective associates are required to abstain from voting on the resolutions in respect of the Acquisition and issue of the Convertible Bonds at the SGM. Mr. Meng had also abstained from voting on the resolutions passed by the Board to approve the Agreement and the transactions contemplated thereunder. To the best of the Directors' information, belief and knowledge, save for the Vendor, Mr. Meng and their respective associates, no other Shareholders have any material interest in the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bonds under the Specific Mandate.

We, China AF Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Agreement and the Convertible Bonds are in the ordinary course of business of the Group, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of the Transactions at the SGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, the Announcement, the annual report of the Company for the years ended 31 March 2017 and 2018, and have enquired with and reviewed the information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group.

We have relied on the above information and representations supplied, and the opinions expressed by the Directors and management of the Company, and have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so up to the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects.

We have no reason to doubt the truth or accuracy of the information provided to us or to believe that any material information has been omitted or withheld. As the Independent Financial Adviser, we take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not carried out any independent verification of the information provided by the Directors and/or the management of the Company nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or the prospects of the markets in which the Group operates.

As at the Latest Practicable Date, we were not aware of any relationships or interests between us and any member of the Group or any of their substantial Shareholders, Directors or chief executives, or their respective associates, that could reasonably be regarded as obstacle to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Transactions.

Save for this appointment as the Independent Financial Adviser in respect of the Transactions, there were no other engagements between us and the Company or any other parties in the last two years. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefit from the Company, its subsidiaries, its associates or their respective substantial Shareholders or associates or any other parties. Accordingly, we consider that we are eligible to give independent advice on the Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendation to the Independent Board Committee and Independent Shareholders, we have taken into consideration of the following principal factors and reasons.

A. Background and reasons for entering into the Agreement

(i) Information of the Company

The Company is a limited company incorporated in Bermuda as an exempted company and the Shares are listed on the Main Board of the Stock Exchange since 19 April 1993. The Company is an investment holding company. The principal activities of the Group are: (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) trading and logistics; (iii) provision of financial services; (iv) property development and investments; and (v) manufacturing and sales of photovoltaic products.

Set out below are selected information of the Group’s consolidated financial results for each of the two financial years ended 31 March 2018 (the “FY2017” and “FY2018”, respectively) as extracted from the Company’s annual report for the FY2018 (the “Annual Report 2018”):

Table 1: Extracts of consolidated financial results of the Group for the FY2017 and FY2018

	For the year ended 31 March	
	2017	2018
	<i>RMB’000</i>	<i>RMB’000</i>
	(audited)	(audited)
Total revenue	3,313,992	3,921,601
– Solar photovoltaic products	1,371,321	760,247
– Printing products	544,748	658,104
– Electronic parts and devices	347,072	390,233
– Oil and related products	825,962	1,977,006
– Industrial equipment	32,616	35,758
– Properties	9,607	49,596
– Finance lease income and related activities	32,746	17,928
– Interest income from provision of finance	127,691	21,586
– Rental income from property investments	5,696	3,356
– Dividend from securities investments	9,044	7,787
– Provision of medical management services	7,489	–
Cost of sales and services	(2,836,682)	(3,581,803)
Profit/(Loss) before tax	134,548	(925,030)
Net profit/(loss)	43,401	(928,455)

As depicted in Table 1 above, for the FY2018, the Group's revenue amounted to approximately RMB3,921.6 million, representing an increase of approximately 18.33% as compared to that of approximately RMB3,314.0 million for the FY2017, which was mainly attributable to the increase in the sales of oil and related products offsetting by the decreases in the sales of solar photovoltaic products and interest income from provision of finance. Owing to the increase in the cost of sales and services and net increase in other expenses, the Group's profit before tax and net profit for FY2017 of approximately RMB134.5 million and RMB43.4 million, respectively, deteriorated to loss before tax and net loss for FY2018 of approximately RMB925.0 million and RMB928.5 million, respectively.

Set out below are selected information of the Group's unaudited consolidated financial results for the six months ended 30 September 2017 and 2018, respectively (the "6M2017" and "6M2018", respectively) as extracted from the interim report of the Company for the 6M2018 (the "Interim Report 2018"):

Table 2: Extracts of unaudited consolidated financial results of the Group for the 6M2017 and 6M2018

	For the 6M2017 RMB'000 (unaudited)	For the 6M2018 RMB'000 (unaudited)
Continuing operations		
Revenue	1,885,653	1,959,847
Gross profit	185,526	121,364
Profit before tax	66,241	37,256
Net profit	17,466	28,784

As disclosed in Table 2 above, for the 6M2018, the Group's revenue amounted to approximately RMB1,959.8 million, representing an increase of approximately 3.9% as compared to that of approximately RMB1,885.7 million for the 6M2017. According to the Interim Report 2018, such increase was attributable to the growth of the Group's trading and logistics business, in particular the increase in distribution and sale of petrochemical products, over the specified periods. The Group's printing segment also continued to register a stable growth over the same periods. However, primarily due to the (i) increase in cost of sales and services; (ii) net decrease in fair value of investment properties; and (iii) increase in finance costs, partially offsetting by the reversal of provision for financial guarantee contracts and net increase in fair value of convertible bonds (derivative component), the Group's profit before tax for the 6M2018 decreased by approximately 43.7%, when compared with that for the 6M2017, to approximately RMB37.3 million. Nonetheless, the Group's net profit for the 6M2018 of approximately RMB28.8 million represented an increase of approximately 64.6% when compared with that for the 6M2017 because of significantly lower income tax expenses for the 6M2018.

Set out below are selected information of the Group's consolidated financial positions as at the dates specified:

Table 3: Extracts of consolidated financial position of the Group as at the dates specified

	As at 31 March		As at 30 September
	2017	2018	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Current assets	4,690,893	4,985,601	7,778,625
Current liabilities	4,863,292	5,982,553	7,032,972
Total assets	11,672,189	11,764,556	15,421,649

As set out in the Annual Report 2018, as at 31 March 2018, the current assets and current liabilities of the Group amounted to approximately RMB4,985.6 million (31 March 2017: RMB4,690.9 million) and RMB5,982.6 million (31 March 2017: RMB4,863.3 million), respectively. Moreover, the total assets of the Group as at 31 March 2018 amounted to approximately RMB11.8 billion, which is comparable to that as at 31 March 2017 of approximately RMB11.7 billion. The current ratio of the Group was approximately 0.83 (31 March 2017: 0.96), and the Group's gearing ratio, which was calculated as interest bearing liabilities divided by total assets, was approximately 48.4% as at 31 March 2018 (31 March 2017: 31.0%).

According to the Interim Report 2018, the Group's current assets and current liabilities as at 30 September 2018 both increased to approximately RMB7,778.6 million and RMB7,033.0 million, respectively, when compared with the corresponding figures as at 31 March 2018. The Group's total assets also increased to approximately RMB15,421.6 million as at 30 September 2018.

(ii) Information of the Vendor, the Target Company, the Target Land and the Property Development

Nanjing Huajun Real Estate Co., Ltd.* (南京華君置業有限公司), the Vendor, is a company established in the PRC with limited liability which is principally engaged in, among other things, property development and property management. As at the Latest Practicable Date, the Vendor is ultimately wholly-owned by Mr. Meng, the Vendor is therefore an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

The Target Company is a company established in the PRC with limited liability which, as advised by the Vendor, is wholly-owned by the Vendor as at the Latest Practicable Date. As further advised by the Vendor, the Target Company is principally engaged in real estate development and sale, and currently owns the Target Land, which is situate at No. 8 Guangzhou Road, Qinghe District, Huai'an City, Jiangsu Province, the PRC of commercial use with a total site area of

approximately 13,485.5 square meters. As also advised by the Vendor, an apartment hotel/office (公寓式酒店／辦公室) and commercial complex (the “**Property Development**”) is currently being constructed on the Target Land, which is scheduled to be completed in the first quarter of 2019. For details of the Target Land and the Property Development, please refer to the paragraphs headed “Asset to be acquired — Target Equity Interest” below.

(iii) Reasons for entering into the Agreement

As stated in the Letter from the Board, The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC. Through the Acquisition, the Group will acquire the interest of the Target Land. The Acquisition, subject to the Completion, will enrich the asset portfolio of the Group and provide an investment opportunity for the Group to enjoy the asset appreciation while generating stable revenue, which will potentially bring a greater return for its Shareholders in a long run.

As set out in Table 1 above, for FY2018, the revenue generated from properties segment amounted to approximately RMB49.6 million, representing an increase of approximately 416.2% when compared with that for FY2017, which is an outstanding growth while comparing to other business segments of the Group. In addition, pursuant to the Annual Report 2018, the Group is currently engaging in the property development and investments projects in Shanghai and Dalian, and completed the sales of properties located in Gaoyou which generated over RMB254.4 million revenue for the Group. Accordingly, we consider that the property development and investments are favorable development direction to the Group with growth potentials, which are also agreed by the management of the Group.

It is also set out in the Letter from the Board that the Company expects to further commit approximately RMB25.0 million only (which has been committed), subject to the Completion, for finishing future construction or development of the Target Land before being able to sell the units of the Property Development. According to the preliminary valuation prepared by the Independent Valuer, the value of the Property Development as at 30 November 2018 was RMB238.6 million, which is significantly higher than the sum of the Consideration of RMB180.0 million and the expected construction or development cost of approximately RMB25.0 million (which has been committed). Overall the Acquisition, subject to the Completion, will enrich the asset portfolio of the Group and provide an investment opportunity for the Group to enjoy the asset appreciation while generating stable revenue, which will potentially bring a greater return for its Shareholders in a long run.

We further understand that the Consideration will be fully satisfied through the issue of the Convertible Bonds at an interest of 1.5% per annum only, the Company will not face any immediate huge amount of cashflow burden, and hence can utilise its existing fund on the capital needs of the development of the Target Land, the general working capital of the Group or other investment opportunities, if appropriate. Notwithstanding that we concur with such view of the Company that the issue of the Convertible Bonds will not create immediate financial burden on the Company which is in its interest, we have further assessed the principal terms of the Convertible Bonds and details could be referred to the paragraph headed “(ii) Analysis of principal terms of the Convertible Bonds” below in this letter.

B. Principal terms of the Agreement

(i) Descriptions of principal terms of the Agreement

Set out below are the principal terms of the Agreement:

Date: 21 September 2018 (after trading hours)

Parties: Vendor: 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 principally engaged in, among other things, property development and property management.

As at the Latest Practicable Date, the Vendor is ultimately wholly-owned by Mr. Meng, therefore, the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the Acquisition and the issue of the Convertible Bonds constitute connected transactions of the Company subject to the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM.

Purchaser: Baohua Properties (China) Limited* (保華地產(中國)有限公司), the indirect wholly-owned subsidiary of the Company

Completion is subject to the fulfillment of various Conditions on or before the Conditions Fulfillment Date, please refer to the paragraph headed “Conditions Precedent” in the Letter from the Board for details.

Asset to be acquired

Target Equity Interest

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest, representing the entire equity interest of the Target Company, and the Debt at the Consideration.

Upon Completion, the Target Company will become the indirect wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

As advised by the Vendor, the Target Company currently owns the Target Land, which is situate at No. 8 Guangzhou Road, Qinghe District, Huai'an City, Jiangsu Province, the PRC of the commercial use, with a total site area of approximately 13,485.5 square meters. As also advised by the Vendor, an apartment hotel/office (公寓式酒店/辦公室) and commercial complex (i.e. the Property Development) is currently being constructed, of which the construction of the external structure has been completed and the internal decoration work is under process, on the Target Land and is scheduled to be completed in the first quarter of 2019.

It is also advised by the Vendor that, at the Latest Practicable Date, the Target Land has been pledged in favour of an Independent Third Party for the use by an entity controlled by Mr. Meng for a loan at the sum of approximately RMB310 million which shall be released prior to the Completion. It is a condition precedent for Completion that the Target Land is free from any encumbrance or third party's rights. Please refer to condition (d) under the heading "Conditions Precedent" in the Letter from the Board.

As further advised by the Vendor, the Target Company has obtained all necessary licenses/permits for the development of the Target Land. After consultation with the Company's PRC lawyer, the Company understands that the existing use, namely, as an apartment hotel/office and commercial complex, of the Target Land, has been lawfully approved in accordance with the PRC Construction Planning Permit (《中華人民共和國建設工程規劃許可證》) and the Explanation on the Contents of the Enclosure to Huaian Xiangfeng Real Estate Co., Ltd* (淮安翔峰置業有限公司)'s the Construction Planning Permit (《關於淮安翔峰置業有限公司〈建設工程規劃許可證〉附件有關內容的說明》) issued by the Huaian City Planning Bureau (淮安市規劃局). According to the legal opinion sought by the Company from its PRC lawyer, the said existing use of the Target Land is in accordance with and not against the land use right certificate of the Target Land.

Subject to the Completion and the completion of the construction of the Property Development as scheduled, the sale of the units of Property Development is estimated to be taken place in 2019. After completion of the Acquisition, the Company does not have any plan to make any further financial commitment in relation to the Property Development, except with the construction or development cost of the Target Land of approximately RMB25.0 million, which will be borne by the Company. The construction or development cost of the Target Land already incurred as at the Latest Practicable Date was RMB176 million. Should there be any such financial commitment arise, the Company will finance it with internal resources of, or external borrowing made by, the Target Company, if necessary and appropriate. As at the Latest Practicable Date, the Company has not obtained any external borrowing to finance any commitment in relation to the Target Land.

The Company has not entered into or will not enter into (i) any construction contracts in relation to the Target Land and (ii) any sales contracts in relation to the units of the Property Development prior to the Completion.

Debt

As advised by the Vendor, the outstanding debts of the Target Company as at the date of the Agreement is approximately RMB337 million. Pursuant to the Agreement, the Vendor shall carry out the Debt Restructuring prior to the Completion, being one of the Conditions, so that upon the completion of the Debt Restructuring:

- (a) the Vendor will own the outstanding debts of the Target Company in the sum of RMB337 million;
- (b) the Target Company will not owe any liabilities to third party, save as the item (a) above;
- (c) the Vendor will assign the Debt, which is the outstanding debts of RMB160.0 million (currently including intercompany advances; and construction payables) owed by the Target Company, to the Purchaser; and
- (d) the Vendor shall waive the payment obligations of the Target Company in respect of the remaining outstanding debts in the sum of approximately RMB177 million owed by the Target Company to the Vendor.

The outstanding debts of the Target Company is comprised of mainly the construction related payables of approximately RMB131.6 million and other payable of approximately RMB205.4 million.

As advised by the Vendor, as at the Latest Practicable Date, the Debt Restructuring is in progress and not yet completed, which is expected to be taken place on or before 31 March 2019.

Consideration

The Consideration for the Target Equity Interest and the Debt shall be in aggregate of RMB180.0 million (equivalent to approximately HK\$205.2 million), subject to adjustment, comprising of RMB20.00 million (equivalent to approximately HK\$22.80 million) being the consideration for the Target Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the Debt. Pursuant to the Agreement, the Vendor and the Purchaser has agreed the exchange rate to be at the rate of RMB1 = HK\$1.14.

The Consideration, subject to adjustment, shall be fully settled by the Purchaser by the issue of the Convertible Bonds with a principal amount of HK\$205.2 million at the Conversion Price of HK\$38.00 (subject to adjustment) by the Company to the Vendor or its nominee within 20 Business Days after the Completion Date.

The initial Consideration of RMB180.0 million is subject to downward adjustment based on the valued amount of the Property Development (i.e. the Target Value) pursuant to the Valuation Report prepared by the Independent Valuer before Completion, which is annexed to the Circular as Appendix III. It is originally contemplated that if the Target Value is less than RMB180.0 million, the Debt Consideration shall be adjusted downward to the Target Value accordingly on a dollar to dollar basis, and if the Target Value is equal to or more than RMB180.0 million, there shall not be any adjustment to the Consideration. As the Target Value is approximately RMB238.6 million as at 30 November 2018 pursuant to the Valuation Report, no adjustment to the Consideration will be made.

(ii) Analysis on the basis of the Consideration

For our due diligence purpose on the basis of determining the part of Consideration for acquiring the Target Equity Interest, we have enquired with the Company, obtained relevant document and certificate, and get to understand that the registered capital of the Target Company is RMB20.00 million, which has been fully paid up on 28 January 2016. As such, we consider that the part of Consideration for acquiring the Target Equity Interest has been determined with reference to the paid-up registered capital of the Target Company and on a dollar-to-dollar basis, which are fair and reasonable.

For the Debt Consideration, we have considered that (i) the Debt Consideration of RMB160.0 million has been determined with reference to the amount of outstanding debts owed by the Target Company (i.e. the Debt) to be assigned by the Vendor to the Purchaser under the Agreement, which is amounted to RMB160.0 million, on a dollar-to-dollar basis; (ii) the Debt carries repayment obligation which must be made, so it is expected that the Group can fully recover the Debt Consideration when future repayment of the Debt is made by the Target Company; and (iii) the Target Company will eventually be held by the Group after the Acquisition which could reduce the risk of default to a minimal level. Based on the above reasons, we consider that the basis of determining the Debt Consideration is fair and reasonable.

We have also enquired on and reviewed matters in relation to the Valuation Report of the Property Development and the Independent Valuer who prepared the Valuation Report. We understand that the professional responsible for signing off the Valuation Report has over 10 years' experience in the valuation of properties in locations including but not limited to Hong Kong and the PRC, and possesses relevant qualification, details of which are set out in page III-5 of the Circular. We have further enquired with the Independent Valuer and understand that it has substantial experience in preparing valuation reports for listed companies in Hong Kong, and in this relation, we have obtained and reviewed the track record of the Independent Valuer and examined their recent cases which are disclosed in circulars of listed companies in Hong Kong published lately on the website of the Stock Exchange. As such, we agree that the Independent Valuer possesses the competency to provide its professional service to carry out the valuation of the property interests held by the Target Company. Having also reviewed the scope of work in the engagement letters of the Independent Valuer, we are satisfied that the scope of work is sufficient and appropriate for the Acquisition.

On the other hand, it is set out in the Circular that as at the Latest Practicable Date, the Independent Valuer 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 or are proposed to be acquired or disposed of by or leased to any member of the Group. We have also reviewed the Independent Valuer's terms of engagement (including its scope of work) and were not aware of any irregularities during our discussion with the Independent Valuer or in our review of its independence. As a result, we also agree that the Independent Valuer possesses the independence to provide its professional service in relation to the Valuation Report.

We have then enquired with the Independent Valuer and understand that the Target Value is determined based on, among other things, a market approach by making reference to comparable sales evidence as available in the relevant market, and that it has also considered the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of cost and fees that expected to be incurred for completing the development. As set out in the Letter from the Board, before coming to adopting the market approach, the Company had discussed with the Independent Valuer on the applicability of different valuation approaches and methodologies for valuing the property interests held by the Target Company, and the Independent Valuer has considered the physical characteristic and facts specific to the said property interest and that the market approach was the most suitable valuation methodology for valuing the said property interest as the relevant property is currently under development.

In respect of the above, we have further researched on and reviewed recent and similar transactions conducted by listed companies on the Stock Exchange, of which circulars have been published. The reviewed transactions include valuations carried out on properties in the PRC between August 2018 and October 2018. These properties have gross floor areas ranging from approximately 1,046.2 sq.m. to 144,925.1 sq.m. with values range from approximately RMB35.4 million (equivalent to approximately HK\$41.0 million) to RMB2,029.0 million (equivalent to approximately HK\$2,345.3 million). We noted that in most of the market transactions we have been able to identify, based on the aforesaid criteria and to our best endeavour, the market approach has been adopted to value the respective properties. In addition, the assumptions used in the Valuation Report (including but not limited to (i) all consents, approvals and licenses from relevant government authorities for the development proposals have been obtained without onerous conditions or delay; and (ii) the title owner of the properties has an enforceable title of the property interests and has 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) are comparable to the market practice. Regarding the Independent Valuer taking into account the accrued construction cost and professional fees relevant to the stage of construction as at the Valuation Date and the remainder of cost and fees expected to be incurred for completing the development when determining the Target Value, we have discussed with the Independent Valuer and are advised that the estimated unit rate of the construction cost of development of approximately RMB2,100 per sq.m., being the total construction cost of the Property Development (less financial costs such as interests) divided by its gross floor area, is in line with similar properties in the market. As the construction of the Property Development is approaching completion and the Independent Valuer considered that there is low risk that the Target Value will be materially affected by the remaining construction progress of the Property Development, the Independent Valuer is of the view and we concur that it is fair and reasonable to take into account the aforesaid accrued and expected costs and fees when determining the Target Value.

Having considered that (i) the Company had discussed with the Independent Valuer and various factors have been taken into account before the market approach was considered the most suitable approach; and (ii) we have conducted our own research and noted that the adoption of the market approach is a common market practice for similar transactions, and that the assumptions adopted in the Valuation Report are also in line with the market practice, we are of the view that it is fair and reasonable to adopt the market approach and the assumptions in determining the Target Value in the Valuation Report.

We have further conducted a telephone interview with the Independent Valuer enquiring details in respect of the Valuation Report. According to the Valuation Report and the aforementioned telephone interview, a site investigation of the Property Development was conducted on 10 May 2018 by the Independent Valuer who has inspected the exterior and the accessible portions of the interior of the Property Development. We have confirmed with the Independent Valuer that the current condition and construction progress of the Property Development is generally in line with the relevant development plan and schedule. We have also enquired with and obtained from the Independent Valuer the list of comparables they have considered when determining the Target Value. We note that included in the list of comparables are lands and properties with complementary geographic background with the Target Land and Property Development, and that the time of transaction, property usage and location of the comparables are similar to those of the Property Development, so we consider such list of comparables representative and meaningful for the purpose of comparison with the Property Development. After studying the values of those comparable lands and properties, we further note that the independent valuer have adopted a range of unit rates of between RMB5,000-7,000 per square meter for completed apartment properties and a range of unit rates of between RMB11,000-13,000 per square meter for retail properties when conducting the valuation of the Property Development. After discussing with the independent valuer and reviewing the list of comparables provided by the independent valuer, we understand that the aforementioned ranges of unit rates they adopted when determining the Target Value are within the relevant ranges of those market comparables. As such, we concur that the Target Value is determined based on references to comparable sales evidence in the relevant market, which we consider a fair and reasonable basis. Based on the aforementioned Valuation Report and the view of the independent valuer, the value of the Target Land amounted to approximately RMB238.6 million as at 30 November 2018, representing a premium of approximately RMB33.6 million over the sum of the Consideration and the relevant future expected construction or development cost of approximately RMB25.0 million, which we consider favourable to the Group.

Taking into account that (i) both the part of Consideration for acquiring the Target Equity Interest and the Debt Consideration have been determined with reference to the Target Company's paid-up capital and debt to owner, respectively, on a dollar-to-dollar basis; (ii) we have studied and agreed that the Independent Valuer is sufficiently competent and independent to carry out work on the Valuation Report; (iii) we have reviewed the Valuation Report and studied the underlying basis, assumptions and approaches, interviewed with the independent valuer, and consider the basis of preparing the Valuation Report fair and reasonable; (iv) we consider the Target Value a fair and reasonable representation to the value of the Target Land and Property Development which has been determined with reference to the values of comparable lands and properties in the nearby market; and (v) the Target Value represents a significant premium over the sum of the Consideration and the relevant future expected construction or development cost, we concur with the Directors' view that the Consideration in the amount of RMB180.0 million is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

C. Principal terms of the Convertible Bonds

(i) Descriptions of principal terms of the Convertible Bonds

Principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Purchaser and the Vendor and are summarised as follows:

Issuer:	the Company
Principal amount:	HK\$205.2 million
Conversion Price:	HK\$38.00 per new Share, subject to adjustment
Maturity Date:	the date falling five years from the date of issue of the Convertible Bonds
Interest:	1.5% per annum payable each anniversary year of issue in arrear

The interest of the Convertible Bonds is at the nominal rate of 1.5% per annum, which is determined between the Company and the Vendor in arm's length negotiation. Such interest rate is much lower than the standard rate of 4.75% per annum for mid to long term loan (i.e. terms varied from 1 to 5 years) promulgated by The People's Bank of China. As an associate of the substantial shareholder of the Company, the Vendor agreed a low interest rate for the Convertible Bonds so that the Company's financial burden incurred by any interest payable can be minimized.

Redemption:	<i>At Maturity</i>
	all outstanding principal amount of the Convertible Bonds which have not been redeemed or converted in accordance with the conditions set out in the Instrument by the Maturity Date will be automatically redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of such Convertible Bonds, unless the Bondholders request for full conversion of their Convertible Bonds

On demand by the Company

the Company has the right, at its option, to redeem the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder, as determined by the Company, by notice

No events of default will trigger redemption of the Convertible Bonds.

Conversion Rights: each Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in multiples of HK\$1,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into such number of Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion

Conversion Restriction: Conversion shall be subject to the following further conditions:

- (a) any exercise of Conversion Rights shall not trigger any mandatory offer under Rule 26 of the Takeovers Code, and in any event, any exercise of Conversion Rights shall not render Shares held in public hands being less than the minimum public float of the Shares required under the Listing Rules;
- (b) any exercise of Conversion Rights shall be subject to all applicable legal requirements, rules and regulations, including but not limited to the Listing Rules and the Takeovers Code; and
- (c) any conversion shall be in denominations and integral amounts of HK\$1,000,000.

The minimum public float required under the Listing Rules is 25%.

Transferability: the Convertible Bonds (nor any part thereof) can be transferred without the prior written consent of the Company, save and except to a connected person of the Company any transfer of any Convertible Bonds shall be in respect of the whole or any part (in an amount not less than HK\$1,000,000 or such other amount to be agreed by the Company) of the outstanding principal amount of that Convertible Bonds

Ranking: the obligations of the Company arising under the Convertible Bonds constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. Conversion Shares, when issued, shall rank pari passu in all respects with all other existing Shares in issue at the date of conversion

Adjustment Events: the Conversion Price shall be subject to adjustment upon occurrence of the following:

- (a) consolidation and subdivision:

If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation or subdivision, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such alteration by the following fraction:

$$\frac{A}{B}$$

where

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective from the day on which such consolidation or subdivision becomes effective.

(b) capitalisation of profits or reserves

If and whenever the Company shall issue any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account and/or capital redemption reserve), other than Shares issued in lieu of the whole or a part of a cash dividend, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where

- A is the aggregate nominal amount of the issued Shares immediately before such issue; and
- B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective from the day of such issue of Shares.

Save as disclosed above there is no other adjustment events to the Conversion Price.

Voting Rights:

the holders of the Convertible Bonds will not be entitled to attend or vote at any meetings of the Company.

(ii) *Analysis of principal terms of the Convertible Bonds*

1. *Conversion price*

The initial Conversion Price is HK\$38.00 per Conversion Share. As stated in the Board Letter, the initial Conversion Price was determined after arm's length negotiations between the Company and the Vendor with reference to the prevailing market price of the Shares and premium of approximately 10% over the conversion price of HK\$34.00 per conversion share under the outstanding convertible bonds issued by the Company. Based on the basis of the determination of the Conversion Price as stated above, although the Board noted that the Conversion Price represents a discount of approximately 20.28% to the audited net asset value of approximately HK\$47.67 per Share of the Company as at 31 March 2018, the Board have considered the facts that the Conversion Price represents substantial premium over most of the benchmark prices set out below, therefore the Directors consider that the Conversion Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

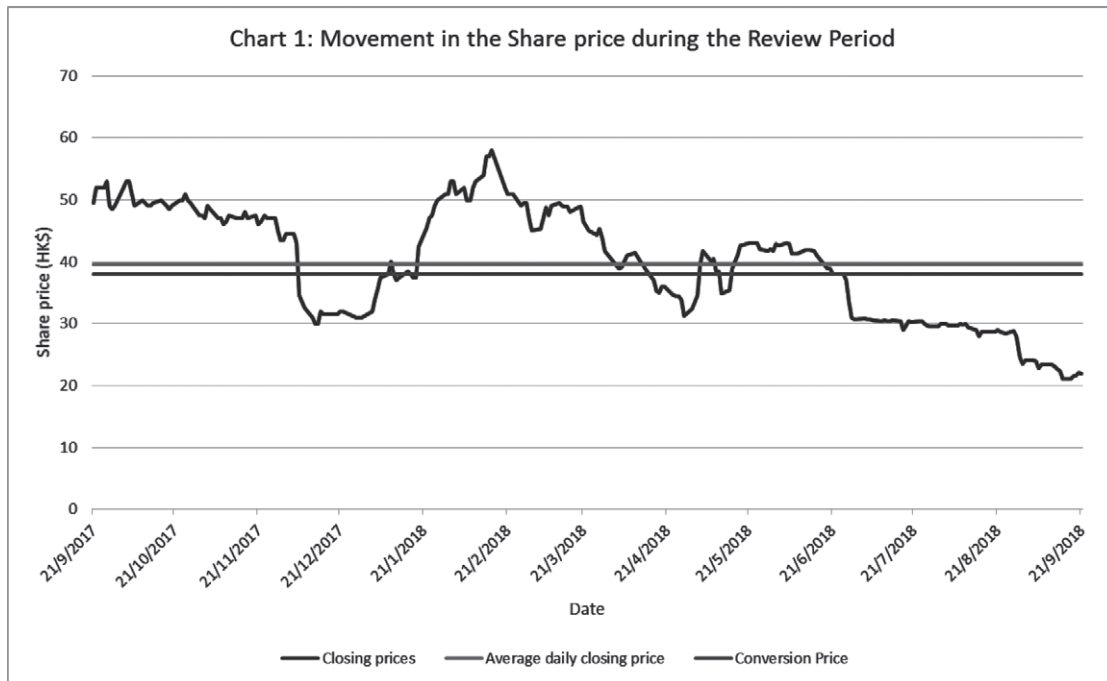
The initial Conversion Price of HK\$38.00 per Conversion Share represents:

- a premium of approximately 72.73% over the closing price of HK\$22.00 per Share as quoted on the Stock Exchange on Last Trading Date;
- a premium of approximately 76.74% over the average closing price of HK\$21.50 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date;
- a premium of approximately 70.20% over the average closing price of HK\$22.33 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the Last Trading Date;
- a premium of approximately 230.43% over the closing price of HK\$11.50 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- a discount of approximately 20.28% over the audited net asset value of HK\$47.67 per Share of the Company as at 31 March 2018 (based on the then total 60,669,200 issued Shares as at 31 March 2018).

In considering the fairness and reasonableness of the initial Conversion Price, we have conducted the following analyses:

(a) Historical Share price performance

Set out below is a chart showing the movement of the daily closing price of the Shares as quoted on the Stock Exchange from 21 September 2017 (being one year prior to the date of Agreement) up to and including the date of Agreement (the “Review Period”). We consider the sampling period of one year is adequate as it represents a reasonable period to provide a general overview of the recent price performance of the Shares when conducting an analysis among the historical closing prices of the Shares and the Conversion Price.



As shown on the above chart, since the beginning of the Review Period, the Share price has been decreasing and reached its relative bottom of HK\$30.00 per Share on 12 December 2017. After that, the Share price started to recover and reached its peak during the Review Period of HK\$58.00 per Share on 15 February 2017. Subsequently, the Share price started to decline again and formed a general decreasing trend. The price of the Shares has been remaining at a level equal to or below HK\$38.00 per Share, being the initial Conversion Price, since 21 June 2018 and reached their bottom during the Review Period of HK\$21.00 per Share on 14 September 2018. The daily closing price of the Shares ranged from HK\$21.00 per Share to HK\$58.00 per Share, with an average daily closing price of HK\$39.60 per Share, during the Review Period. We noted that, although the Conversion Price is below the average daily closing price of HK\$39.60 per Share during the Review Period, the Conversion Price is within the range of daily closing price of the Shares of HK\$21.00 per Share to HK\$58.00 per Share during the Review Period and higher than the closing price of the Shares since 22 June 2018.

(b) Trading volume

We have also reviewed the trading liquidity of the Shares during the Review Period. The table below sets out the trading volume of the Shares on the Stock Exchange during the Review Period:

Month/Period	Average daily trading volume of the Shares <i>(Number of Shares)</i>	Average daily trading volume as a percentage of the total number of issued Shares as at the end of the respective month/period
2017		
September (From 21 September 2017)	15,200	0.0003%
October	15,978	0.0003%
November	13,747	0.0002%
December	27,793	0.0005%
2018		
January	56,413	0.0009%
February	51,859	0.0009%
March (<i>Note</i>)	20,979	0.0346%
April	13,313	0.0219%
May	63,613	0.1049%
June	30,834	0.0508%
July	2,783	0.0046%
August	2,939	0.0048%
September (Up to 21 September 2018)	975	0.0016%

Source: website of the Stock Exchange

Note: A Share consolidation of every one hundred (100) existing shares into one (1) consolidated Share of HK\$1.00 each has become effective on 5 March 2018. For details, please refer to the Company's announcement dated 5 December 2017 and 29 December 2017 and the Company's circular dated 12 February 2018, respectively.

As set out in the above table, during the Review Period, the average daily trading volume of the Shares represented approximately 0.0002% to 0.1049% of the total number of issued Shares as at the end of the respective month or period. We consider that the trading of the Shares has been relatively thin, which may suggest that it would be difficult for the Company to pursue sizeable equity financing alternative in stock market without providing considerable discount and/or underwriting fees.

(c) Market comparable analysis

We have conducted comparable analysis through identifying companies listed on the Stock Exchange which announced issue of convertible bonds/notes under specific mandate during the period between 1 August 2018 and the Latest Practicable Date, being an approximate four-month period. Initially, we tried to identify issue of convertible bonds/notes under specific mandate for settlement of consideration of acquisition only. However, we only found 3 transactions which met such criteria, and we consider it insufficient for conducting a meaningful comparable analysis. Accordingly, we have extended our research to also cover those issue of convertible bonds/notes under specific mandate for other purposes, including but not limited to raising for working capital or repayment of existing debts. To the best of our knowledge and as far as we are aware of, we have identified 16 issues of convertible bonds/notes under specific mandate which met the above criteria (the “**Comparable Issues**”). Taking into account that (i) the Comparable Issues are carried out under specific mandates, which is identical to the way the Convertible Bonds will be issued; (ii) the Comparable Issues are, to our best knowledge, exhaustive cases and thus are representative to the overall relevant market sentiments in recent times; and (iii) there are sufficient number of Comparable Issues, we are of the view that a comparable analysis conducted with reference to the Comparable Issues would be meaningful and comprehensive and that our criteria for identifying Comparable Issues is fair and reasonable.

The Comparable Issues listed below are based on the above criteria and they are fair and representative samples, which represent a full and exhaustive list of relevant comparable issues based on the aforementioned criteria. It should be noted that all the subject companies involved in the Comparable Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the issues of convertible bonds/notes under specific mandate may also be different from that of the Company. The following table sets forth the relevant details of the Comparable Issues:

Table 3: List of Comparable Issues

Date of announcement	Name of company	Stock code	Principal amount <i>(approximate)</i>	Interest rate <i>(per annum)</i>	Premium/	Premium/	Premium/	Premium/ <i>(Discount) of the conversion price over/to the closing price on the respective last trading day <i>(approximate)</i> <i>(Note 1)</i></i>
					<i>(Discount) of the conversion price over/to the average closing price for the respective last five trading days <i>(approximate)</i> <i>(Note 1)</i></i>	<i>(Discount) of the conversion price over/to the average closing price for the respective last ten trading days <i>(approximate)</i> <i>(Note 1)</i></i>	<i>(Discount) of the conversion price over/to the respective latest audited net asset value per share <i>(approximate)</i></i>	
31/12/2018	China Ruitfeng Renewable Energy Holdings Limited	527	HK\$313.8million	8.00%	(13.00%)	(12.00%)	(10.68%)	(16.56%)
21/12/2018	Hospital Corporation of China Limited	3869	HK\$800million	6.00%	13.12%	12.17%	11.83%	56.01%
18/12/2018	Shougang Concord Century Holdings Limited	103	HK\$150million	4.00%	83.33%	86.44%	86.13%	(54.40%)
2018/12/4	Winto Group (Holdings) Limited	8238	HK\$60million	Nil	87.50%	87.50%	86.34%	786.83%
2018/11/22	Country Garden Holdings Company Limited	2007	HK\$7,830million	4.5%	30.00%	37.11%	39.37%	155.25%
2018/11/21	Carnival Group International Holdings Limited	996	US\$350million	8.0%	57.48%	54.08%	47.82%	(56.10%)
2018/11/16	Grand Field Group Holdings Limited	115	HK\$112.3million	3.0%	5.13%	4.77%	3.97%	(89.70%)
2018/11/13	Evershine Group Holdings Limited	8022	HK\$300million	1.0%	(18.00%)	(17.00%)	(19.35%)	871.57%
2018/11/12	Moody Technology Holdings Limited	1400	HK\$100million	8.0%	(20.00%)	(18.20%)	(21.70%)	N/A <i>(Note 2)</i>
2018/10/12	Yanchang Petroleum International Limited	346	US\$60million	6.0%	8.57%	Nil	(4.52%)	(42.11%)
2018/10/8	China Healthwise Holdings Limited	348	HK\$120million	6.0%	69.49%	67.22%	62.60%	100.80%

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Date of announcement	Name of company	Stock code	Principal amount <i>(approximate)</i>	Interest rate <i>(per annum)</i>	Premium/	Premium/	Premium/	Premium/
					(Discount) of the conversion price over/to the closing price on the respective last trading day <i>(approximate)</i> <i>(Note 1)</i>	(Discount) of the conversion price over/to the average closing price for the respective last five trading days <i>(approximate)</i> <i>(Note 1)</i>	(Discount) of the conversion price over/to the average closing price for the respective last ten trading days <i>(approximate)</i> <i>(Note 1)</i>	(Discount) of the conversion price over/to the respective latest audited net asset value per share <i>(approximate)</i>
2018/9/21	China Sandi Holding Ltd.	910	HK\$500million	1.0%	(9.50%)	(9.80%)	(9.70%)	(46.54%)
2018/9/3	Lamtex Holding Ltd.	1041	HK\$648million	4.0%	1.89%	6.72%	7.57%	(33.11%)
2018/8/24	International Standard Resources Holdings Ltd.	91	HK\$365million	2.0%	25.98%	22.70%	21.58%	27.28%
2018/8/14	YiChang HEC Changjiang Pharmaceutical Co., Ltd.	1558	US\$400million	3.0%	3.00%	0.30%	0.80%	461.23%
2018/8/1	Xiezhong International Holdings Ltd.	3663	HK\$218.7million	8.0%	1.96%	1.08%	1.35%	45.97%
			Maximum	8.0%	87.50%	87.50%	86.34%	871.57%
			Minimum	1.0%	(20.00%)	(18.20%)	(21.70%)	(89.70%)
			Average	4.83%	20.43%	20.19%	18.96%	144.43%
			Median	4.50%	6.85%	5.75%	5.77%	27.28%
The issue of the Convertible Bonds			HK\$205.2million	1.5%	72.73%	76.74%	70.17%	(20.28%)

Source: Website of the Stock Exchange

Notes:

1. The respective interest rate per annum and the relevant premium/discount are extracted from the relevant published announcements of the companies for the Comparable Issues.
2. Moody Technology Holdings Limited recorded net liabilities as at the end of its latest audited financial year.
3. We have excluded the Company's another issue of 1.5% convertible bonds in the principal amount of HK\$1,000 million which is announced on 26 October 2018 to ensure that the list of Comparable Issues solely represents the market sentiment.
4. For the purpose of our comparable analysis, we exclude perpetual convertible bonds/notes.

As demonstrated in the above table, we noted that the premium/(discount) of the conversion price over/to the closing price of the respective shares on the respective last trading day of the Comparable Issues ranged from a discount of approximately 20.00% to a premium of approximately 87.50%. The average and median of the same pool of data are approximately 20.43% and 6.85%, respectively. The Conversion Price, which represented a premium of approximately 72.73% to the closing price of HK\$22.00 per Share as quoted on the Stock Exchange on the date of the Agreement, is within the aforesaid range and significantly higher than the aforesaid average and median.

For the premium/(discount) of the conversion price over/to the average closing price for the respective last five trading days of the respective shares of the Comparable Issues, they are ranged from a discount of approximately 18.20% to a premium of approximately 87.50%. The average and median of the same pool of data are approximately 20.19% and 5.75%, respectively. The Conversion Price, which represented a premium of approximately 76.74% to the average closing price of approximately HK\$21.50 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Agreement, is also within the aforesaid range and significantly higher than the aforesaid average and median.

For the premium/(discount) of the conversion price over/to the average closing price for the respective last ten trading days of the respective shares of the Comparable Issues, they are ranged from a discount of approximately 21.70% to a premium of approximately 86.34%. The average and median of the same pool of data are approximately 18.96% and 5.77%, respectively. The Conversion Price, which represented a premium of approximately 70.17% to the average closing price of approximately HK\$22.33 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Agreement, is also within the aforesaid range and significantly higher than the aforesaid average and median.

For the premium/(discount) of the conversion price over/to the respective latest audited net asset value per share of the Comparable Issues, they are ranged from a discount of approximately 89.70% to a premium of approximately 871.57%. In light of the presence of extreme data, we have only considered the median of the same pool of data, being a premium of approximately 27.28%. The Conversion Price, which represented a discount of approximately 20.28% to the audited net asset value per Share of the Company as at 31 March 2018, is lower than such median. However, taking into account (i) as set out in the Letter from the Board, the Board noted that during the period from 1 June 2018 (about six months prior to the Last Trading Day) up to the Last Trading Day, the Shares had been consistently traded at a discount to the net asset value per Share, ranging from approximately 5.07% to 55.9%, with an average of approximately 35.8%. Accordingly, the Board considers that it would be more appropriate to determine the Conversion Price with reference to the prevailing market prices of the Shares instead of making reference to the net asset value per Share; and (ii) the significant premiums represented by the Conversion Price over the prevailing closing prices of the Shares which truly reflex the market's perception on the value of the Shares, we concur with the Board's view and consider that the Conversion Price is still fair and reasonable.

(d) Summary of our analysis on the Conversion Price

Having considered that (i) the Conversion Price is within the range of closing prices of the Shares, and near the average closing price of the Shares, during the Review Period; (ii) the Conversion Price is significant higher than the prevailing prices of the Shares; and (iii) the premiums to the prevailing prices of the Shares represented by the Conversion Price are within the ranges and significantly above the averages and medians of the same of the Comparable Issues, and thus the terms represented by the Conversion Price are more favourable when compared with those represented by the Comparable Issues so far as the Independent Shareholders are concerned, we consider that the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company.

2. *Interest rate*

Based the above list of the Comparable Issues, interest rates of the Comparable Issues ranged from nil to approximately 8.0% per annum with an average and a median of approximately 4.83% and 4.50% per annum, respectively. The interest rate of the Convertible Bonds of 1.5% per annum falls within and stands at the lower bottom of the range of the interest rates of the Comparable Issues, and is below the average and median of the interest rates of the Comparable Issues. Accordingly, we consider that the interest rate of the Convertible Bonds is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

D. Other financing alternatives

As set out in the Letter from the Board, prior to the entering into the Agreement, the Company had explored and evaluated other possible methods as alternative settlement for the Consideration, such as cash payment. In view of the construction and development of the Target Land to be incurred, the Directors expect the future capital requirement by the Group may be significant. Accordingly, the Directors considers that it is in the benefit of the Group to preserve its cash flow and to maintain a strong cash position for the time being in order to satisfy the anticipated capital needs that may arise in the future and not to proceed the settlement of the consideration by way of cash payment. Considering that the Company only had bank balances and cash of approximately RMB255.1 million as at 31 March 2018, if the Consideration of RMB180 million is to be settled by cash, the bank balances and cash of the Company would decrease to a relatively thin level, which would not be favourable to the Company and its operation. Based on the above, we concur with the Directors' view that it is in the benefit of the Group not to settle the Consideration by cash.

Alternatively, it is set out in the Letter from the Board that by settling the Consideration by way of issue of the Convertible Bonds, the current and future liquidity position of the Group can be properly maintained, and as the Consideration is fully satisfied through the issue of the Convertible Bonds at an interest of 1.5% per annum, the Company will not face any immediate huge amount of cashflow burden, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities. We agree with the aforesaid view of the Board.

We have further confirmed with the Directors that the Company has considered using bank borrowings for the settlement of the Consideration. However, we were given the understanding that the Company had approached three commercial banks for bank borrowings but in vain. We have further considered that (i) debt financing may also be subject to lengthy due diligence and negotiations with banks; (ii) given such size of funding needs, financing through bank borrowing will incur significant interest expense which would add burden to the Company and its profitability; and (iii) bank borrowings will not improve the financial position of the Company but will likely incur significant financial cost each year. Alternatively, there exists an option that the Conversion Rights attached to the Convertible Bonds be exercised, such that the capital base of the Company can be enlarged and strengthened. Based on the above, we consider that the issue of the Convertible Bonds to settle the Consideration is more appropriate than debt financing and is in the interest of the Company.

In addition to debt financing, the Board also considered other means of equity financing such as share placement, rights issue or open offer, but is generally of the view that they involve a relatively lengthy process and would incur more transaction costs such as placing or underwriting commission. We agree with the Company that placing of new shares and rights issue or open offer would generally be more time-consuming as the Company needs to engage placing agent or underwriter, negotiate the terms and fees of relevant engagement and finalise the terms of placing or rights issue or open offer. We also agree that placing or rights issue or open offer carry higher costs as the Company will

need to pay placing or underwriting commission thereunder, while no such commission is involved in the issue of the Convertible Bonds. We have further considered that (i) it is likely that higher placing or underwriting commission, documentation preparation costs and/or professional fees) will be involved for these equity fund raising alternative methods and considerable discount to the market prices of the Shares would be required in view of the low historical trading volumes of the Shares; (ii) the trading of the Shares did not appear to be active during the Review Period, which may indicate difficulty to pursue sizeable equity financing alternatives in the stock market; and (iii) placing/subscription of new Shares to other investors will have inevitable immediate dilution effect on the shareholding interests of the existing Shareholders. Alternatively, the issue of the Convertible Bonds represents immediate funding for the Company without immediate dilution of the shareholding of the existing Shareholders.

Based on all of the above, we concur with the Board that the issue of the Convertible Bonds to settle the Consideration is the best opinion available to the Company, and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

E. Effect on Shareholding Structure of the Company

As at the Latest Practicable Date, the Company has 60,669,200 Shares in issue. The shareholding interest of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding; and (iii) immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company having been converted into new Shares of the Company are as follow:

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	(i) As at the Latest Practicable Date		(ii) Immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding		(iii) Immediately following the Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company having been converted into new shares of the Company	
	No. of Shares		No. of Shares		No. of Shares	
	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %	Approximate %
Substantial Shareholder						
CHG	44,450,619	73.27%	44,450,619	67.28%	44,450,619	64.57%
Mr. Meng (Note 1)	769,640	1.27%	769,640	1.16%	769,640	1.05%
Vendor or its nominee	-	-	5,400,000	8.17%	5,400,000	7.36%
Sub-total	45,220,259	74.54%	50,620,259	76.62%	50,620,259	69.00%
Holders of existing convertible bonds (Note 2)	-	-	-	-	7,294,116	9.94%
Other public shareholders (Note 3)	15,448,941	25.46%	15,448,941	23.38%	15,448,941	21.06%
	60,669,200	100.00%	66,069,200	100.00%	73,363,316	100.00%

Notes:

1. Apart from 769,640 Shares held by Mr. Meng directly, Mr. Meng also personally holding 387,351 share options of the Company. 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.
2. As at the date of the Latest Practicable Date, 7,294,116 new Shares may be allotted and issued to the existing holders pursuant to the conversion rights attaching to the existing outstanding convertible bonds issued by the Company, which had not yet been exercised.
3. Any exercise of the Conversion Rights shall not render Shares held in public hands less than the minimum public float of the Shares required under the Listing Rules (i.e. 25%).

The above shareholdings of the Company set out in the above table are for illustration purpose only. As one of the conversion restrictions is that any exercise of Conversion Rights shall not render the Company no longer maintain the minimum public float of the Shares required under the Listing Rules upon the Conversion, the collective shareholding in the Company held by Mr. Meng, CHG and their respective associates shall never reach more than 75%. Furthermore, as at the date of the Latest Practicable Date, the subscription of October 2018 CB by CHG has not yet completed.

We noted that the shareholding of the existing public Shareholders would decrease from approximately 25.46% to 23.38% immediately after Completion and assuming full conversion of the Convertible Bonds into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding, representing a dilution of approximately 2.08% which is the difference in the percentage of shareholding of the existing public Shareholders immediately before and after the said conversion. Despite such dilution effect on the shareholding of the existing Shareholders, taking into account that (i) the Acquisition and the issue of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole, details of which are discussed previously in this letter; (ii) the Conversion Price represents a premium over the market price of the Shares as of both the date of the Agreement and the Latest Practicable Date, and hence there will not be any price dilution impact; (iii) the collective shareholding in the Company held by Mr. Meng, CHG and their respective associates shall never reach more than 75% and the minimum public float of the Shares shall never be lower than 25%, which represent limitations to the exercise of the Conversion Rights and hence limitations to the dilution impact; and (iv) the Convertible Bonds, when converted into Conversion Shares, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Company, we consider that the possible dilution effects on the shareholding interests of the public Shareholders is acceptable.

RECOMMENDATIONS

Having considered the factors and reasons as mentioned above, we are of the view that terms of the Agreement and the Convertible Bonds are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company. Furthermore, we are of the view that the Agreement and the issue of Convertible Bonds under Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Transactions.

Yours faithfully,
For and on behalf of
China AF Corporate Finance Limited
Kevin Chan
Director

Mr. Kevin Chan is a person licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of China AF Corporate Finance Limited and has over 19 years of experience in corporate finance industry.

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 November 2018 of the property interests of the Target Company.



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25 January 2019

The Board of Directors
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 (“**Huajun**” or the “**Company**” and together with its subsidiaries the “**Group**”) for us to carry out the valuation of the property interests held by Baohua Properties (Huaian) Limited (formerly known as Huaian Xiangfeng Real Estate Co., Ltd) (保華地產(淮安)有限公司 (前稱“淮安翔峰置業有限公司”)) (“**Target Company**”), 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 November 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 set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the HKIS Valuation Standards (2017 Edition) 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.

VALUATION METHODOLOGY

In valuing the property interest, 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 Company. 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 remainder of cost and fees that expected to be incurred for completing the development.

TITLE INVESTIGATION

We have been provided by the Company 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 Fa De Law Firm (遼寧法德律師事務所) dated 28 December 2018, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Ken Feng (Manager, MCIREA) and Alex Xu (Assistant Valuer) and Barry Sun (Assistant Valuer), during the period at 10 May 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 taken obvious and visible defect 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. We have also sought confirmation from the Company 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

As informed by the Company and advised by the PRC legal adviser, the land premium payable has 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.

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 valuation certificates is 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 including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interest held under development by the Target Company in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 November 2018 RMB
Baohua Wangyuan (保華旺苑) located at Guangzhou Street, Qinghe District, Huaian City, Jiangsu Province, the PRC	<p>The Property comprises a parcel of land with a total site area of approximately 13,485.50 sq.m. and an apartment hotel/office (公寓式酒店/辦公) and commercial complex which is currently being constructed thereon.</p> <p>The development is scheduled to be completed in first quarter 2019. As confirmed by Company, upon completion, the development will have a total gross floor area of approximately 59,474.94 sq.m.</p>	As at the date of valuation, the property is currently under construction.	238,600,000 (100% interest attributable to the Target Company: RMB238,600,000)
		Gross Floor Area (sq.m.)	
	<ul style="list-style-type: none"> - Apartment hotel/office - Commercial Building - Utility and Ancillary - Under Ground Area 	<ul style="list-style-type: none"> 23,260.96 22,516.91 1,899.69 11,797.38 	
	Total	59,474.94	

As advised by the Company, the total construction cost of development is estimated to be approximately RMB200,047,108.61 of which approximately RMB179,227,108.61 had been paid as at the valuation date.

The land use rights of the property have been granted for the terms expiring on 5 March 2049 for commercial use.

Notes:

State-owned Land Use Rights Grant Contract

- i. Pursuant to the State-owned Land Use Rights Grant Contract dated 6 February 2009, the land use rights of a parcel of land with a site area of approximately 13,485.50 sq.m. have been contracted to be granted to Huaian Qinghe Xinqu Investment Development Co., Ltd (淮安清河新區投資發展有限公司), which is the former shareholder of the Target Company, for a term of 40 years for commercial use at a total land premium of RMB25,600,000. As of the date of valuation, the ownership of the land use right had been transferred to the Target Company.

As revealed from the aforesaid State-owned Land Use Rights Grant Contract, the property is subject to the following material development conditions:

Plot Ratio:	≤3.5
Site Coverage:	≤55%
Greenery Coverage:	≥20%

State-owned Land Use Rights Certificate

- ii. Pursuant to the State-owned Land Use Rights Certificate – Huai A Guo Yong (2010) Chu Di No. 3519 dated 21 May 2010, a parcel of land with a total site area of approximately 13,485.50 sq.m. has been granted to Baohua Properties (Huaian) Limited (formerly known as Huaian Xiangfeng Real Estate Co., Ltd) (保華地產(淮安)有限公司 (前稱“淮安翔峰置業有限公司”)) for a term expiring on 5 March 2049 for commercial use.

Construction Land Planning Permit

- iii. Pursuant to the Construction Land Planning Permit – Di Zi Di No. 320801200920019 dated 2 March 2009, permission towards the planning of a parcel of land with a total site area of approximately 13,485.50 sq.m. have granted to Huaian Qinghe Xinqu Investment Development Co., Ltd (淮安清河新區投資發展有限公司). As of the date of valuation, the ownership of the land use right had been transferred to the Target Company.

Construction Works Planning Permit

- iv. Pursuant to a Construction Works Planning Permit – Jian Zi Di No. 3208012010201022 dated 28 October 2010 in favour of Baohua Properties (Huaian) Limited (formerly known as Huaian Xiangfeng Real Estate Co., Ltd) (保華地產(淮安)有限公司 (前稱“淮安翔峰置業有限公司”)), the construction work of the development with a total gross floor area of approximately 57,947.98 sq.m. have been approved for construction.

Construction Works Commencement Permit

- v. Pursuant to a Construction Works Commencement Permit No. 320800020120004 dated 17 January 2012 in favour of Baohua Properties (Huaian) Limited (formerly known as Huaian Xiangfeng Real Estate Co., Ltd) (保華地產(淮安)有限公司 (前稱“淮安翔峰置業有限公司”)), permission by the relevant local authority has been given to commence the construction work with a total gross floor area of approximately 57,947.98 sq.m. for the development.

Pre-sales Permit

- vi. Pursuant to a Pre-sales Permit – (Huai) Fang Yu Shou Zheng Di No. 2018341 dated 5 July 2018 in favour of Baohua Properties (Huaian) Limited (formerly known as Huaian Xiangfeng Real Estate Co., Ltd) (保華地產(淮安)有限公司 (前稱“淮安翔峰置業有限公司”)) which is entitled to sell the properties with a total gross floor area of approximately 45,777.87 sq.m.

- vii. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
- a. Target Company has the legal right of the land use rights of the property;
 - b. The property has been pledged and free from other encumbrances;
 - c. The Target Company has the right to occupy use and lease the property;
 - d. Target Company has no right to transfer, second mortgage or gift of the property, in fact, the holding company of Target Company has the right to transfer the equity share and has to inform the mortgagee;
 - e. As advised by the Company, Target Company comprises 252 car parking spaces. Target Company is entitled to lease and generate revenue from the car parking spaces;
 - f. the land premium payable has been fully settled; and
 - g. the property were not transferred or involved in any contentious or non-contentious dispute as the date of valuation.
- viii. In the valuation of this property, we have attributed no commercial value to the 252 car parking spaces mentioned in Notes (vii) (e) which have not obtained any title certificate.
- However, for reference purpose, we are of the opinion that the reference value of the 252 car parking spaces as at the date of valuation would be RMB12,300,000 which is based on the PRC legal opinion.
- ix. 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 RMB260,000,000.
- x. A summary of major certificates/licenses is shown as follows:
- | | |
|--|-----|
| a. State-owned Land Use Rights Certificate | Yes |
| b. Construction Land Planning Permit | Yes |
| c. Construction Works Planning Permit | Yes |
| d. Construction Works Commencement Permit | Yes |
| e. Pre-sales Permit | Yes |
- xi. In our valuation, we have made reference to the transaction record of the development and some asking price references of some commercial developments which have characteristics comparable to the property. We have adopted the range of unit rates of between RMB5,000–7,000/sq.m. for apartment hotel/office if completed. Also, we have adopted the range of unit rates of between RMB10,000–13,000/sq.m. for commercial on ground floor if completed.

The list of the comparables considered by us in performing the valuation of the Property is listed below:

Commercial Properties

Comparable	Location	Usage of Property	Date	Price (RMB)	Area (sq.m.)	Unit Rate (RMB/sq.m.)
Comparable 1	Changjiang East Road, Huaiyin District	Commercial	9 October 2018	500,000	39	12,821
Comparable 2	Zhengda Road, Qingjiangpu District	Commercial	9 October 2018	1,400,000	120	11,667
Comparable 3	Shuidukou Avenue, Qingjiangpu District	Commercial	6 October 2018	1,200,000	100	12,000

Apartment Properties

Comparable	Location	Usage of Property	Date	Price (RMB)	Area (sq.m.)	Unit Rate (RMB/sq.m.)
Comparable 1	Guangzhou Street, Qinghe District	apartment	6 October 2018	280,000	47	5,957
Comparable 2	Shenzhen East Road, Qinghe District	apartment	6 October 2018	300,000	48	6,250
Comparable 3	Mingyuan Road, Qingjiangpu District	apartment	6 October 2018	370,000	59.5	6,218

We have adopted the comparables by considering transaction time, size, same usage and locality.

We have adopted the total adjustment for both of the comparables of retail & residential properties about the size and time factors which is less than 10%.

- xii. The property is situated at the junction of Guangzhou Road and Shuidukou Avenue. It takes about 20-minute drive to the city center of Huaian and about 30-minute drive to Huaian Lianshui Airport.

According to Statistical Overview of Huaian, the property market in Huaian 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	28,721,048	3,706,601	8,698,017	41,684,570,000
2016	28,437,979	2,996,721	7,039,913	35,256,100,000

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

<i>Authorised</i>		<i>HK\$</i>
<u>400,000,000</u>	Shares	<u>400,000,000</u>
<i>Issued and fully paid</i>		<i>HK\$</i>
<u>60,699,200</u>	Shares	<u>60,699,200</u>

3. DISCLOSURE OF INTERESTS**Interest of Directors and Chief Executive in the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to

therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Interests in the Shares of the Company

Director	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Mr. Meng	44,450,619 (L)	Interest in controlled corporation ^(Note 1)	73.27%
	769,640 (L)	Beneficial owner	1.27%
	387,351 (L)	Share options ^(Note 2)	0.64%
Ms. Zhang Ye	274,050 (L)	Share options ^(Note 3)	0.45%
Mr. Guo Song	274,050 (L)	Share options ^(Note 4)	0.45%
	30,000 (L)	Beneficial owner	0.05%
Mr. He Shufen	21,320 (L)	Beneficial owner	0.035%
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%

Notes:

1. Long positions in 44,450,619 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 Ye and Mr. Zeng Hongbo prior to their appointment as Director.
4. 274,050 share options have been granted to Mr. Guo Song. For further details of the said share options granted, please refer to the announcements of the Company dated 16 February 2015, 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.

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

Interests in shares in associated corporation

Associated corporation	Director	Capacity	Number of Shares held	Approximate percentage of interest in the capital of the associated corporation
Huajun Group Limited (華君集團有限公司) <i>(Note 6)</i>	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
Madam Bao	44,450,619 (L)	Interest held by spouse ^{(Note (a))}	73.27%
CHG	44,450,619 (L)	Beneficial owner	73.27%
Huajun Group Limited (華君集團有限公司)	44,450,619 (L)	Interest of controlled corporation ^{(Note (a))}	73.27%
Mr. Meng	769,640 (L)	Beneficial owner	1.27%
	44,450,619 (L)	Interest of controlled corporation ^{(Note (a))}	73.27%
	387,351 (L)	Share Options	0.64%

Note:

- (a) 44,450,619 Shares are held by CHG as long position. The entire issued share capital of CHG is beneficially owned by Huajun Group Limited (華君集團有限公司), which is directly wholly-owned by Mr. Meng. Madam Bao, being spouse of Mr. Meng, was also deemed to be interested in the Shares held by CHG and 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' SERVICES CONTRACTS

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

6. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

Name	Qualification
China AF Corporate Finance Limited	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
Avista Valuation Advisory Limited	Independent property valuer

The above experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion therein of their respective letters and/or references to their names, in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have 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, since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. COMPETING INTERESTS

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

Although certain associates of Mr. Meng are engaged in property development and property management, which is one of the principal businesses of the Company, the said associates of Mr. Meng carries out their business in considerable distance, i.e. over 100 kilometers, from the location where the property developments of the Group are situated at. Accordingly, there is no competition rendered in between the business of the Group and the business engaged by Mr. Meng's associates. Therefore, the Board is of the view that Mr. Meng and his associates was not interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Company.

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

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2018, 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.

On 17 May 2018, Huajun Enterprise (Yingkou) Company Limited* (華君實業(營口)有限公司) (“HEYC”), a company established in the PRC with limited liability and ultimately owned as to 97% by Mr. Meng and 3% by Madam Bao, entered into the equity transfer agreement with New Island Printing (Liaoning) Company Limited (“NIPL”) an indirect wholly-owned subsidiary of the Company, pursuant to which HEYC has agreed to sell, and NIPL has agreed to purchase, the 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) at the consideration of RMB30 million upon the terms and conditions set out in the Equity Transfer Agreement.

Save as disclosed in this circular, 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.

9. 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.

10. MATERIAL ADVERSE CHANGE

On 15 June 2018, the Company issued a profit warning and announced that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the year ended 31 March 2018, the Company is expected to record a significant loss attributable to equity holders of the Company for the year ended 31 March 2018 as compared to a profit for the year ended 31 March 2017. Based on the information available to the Board as at 15 June 2018, such loss for the Period was mainly due to (1) provision for financial guarantee contracts; (2) provision for impairment loss of certain available-for-sale investments; (3) decrease in fair value of investment properties; (4) change in fair value of convertible bonds; and (5) impairment loss on certain property, plant and equipment.

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 aggregate amounts of approximately RMB278.15 million within 3 weeks after service of the said statutory demands to pay the said debts. 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, the said creditor had confirmed having received the repayment of the said outstanding debts, hence the Company is released from the guarantee obligation for the said restructuring documents for the relevant amount of approximately RMB278.15 million. Accordingly, no winding up petition has been presented by the said creditor upon the expiry of the said 3-week period.

Save and except as the disclosure made by the Company's announcements dated 15 June 2018 and 27 June 2018, as at the Latest Practicable Date, 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.

11. 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 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;
- (b) 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;
- (c) 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;

- (d) 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;
- (e) 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;
- (f) 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;
- (g) 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;

- (h) 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, in relation to the issuance of 10% fixed coupon convertible bonds in the aggregate principal amount of HK\$118 million;
- (i) the subscription agreement dated 13 December 2017 entered into between the Company as issuer and 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 as subscriber in relation to the issuance of 10% fixed coupon convertible bonds in the aggregate principal amount of HK\$100 million;
- (j) the equity transfer agreement dated 6 March 2018 and entered into between Wuxi Real Estate Development Group Co., Ltd.* (無錫市房地產開發集團有限公司) (“**Wuxi Real Estate**”), a company established in the PRC with limited liability, as vendor, and B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司) (“**B&H Properties**”), an indirect wholly-owned subsidiary of the Company, as purchaser, in relation to the acquisition of the entire equity interests in Baohua Real Estate (Wuxi) Company Limited* (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, for a consideration of RMB1,311.29 million;
- (k) the equity transfer agreement dated 6 March 2018 and entered into between the Vendors and B&H Properties, as purchaser in relation to the acquisition of the entire equity interests in 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, for a consideration of RMB291.95 million;
- (l) the equity transfer agreement dated 6 March 2018 and entered into between Wuxi Real Estate and Wuxi City Investment and Development Co., Ltd.* (無錫市城市投資發展有限公司) as vendors and B&H Properties, as purchaser, in relation to the acquisition of 55% equity interests in Baohua Real Estate (Jiangyin) Company Limited* (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, for a consideration of RMB280.50 million;

- (m) 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;
- (n) 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 Madam 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;
- (o) 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;

- (p) 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;
- (q) 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;
- (r) 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) and Shenzhen Guangsen Investment Group Co., Ltd.* (深圳市廣森投資集團有限公司), each of which a company established in the PRC with limited liability and a shareholder of the vendor and an Independent Third Party; and (iii) 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 in respect of the acquisition of a property development project situated at Si Ma Village, Changping Prefecture, Dongguan City, Guangdong Province, the PRC at a consideration of RMB210 million; and procurement of service from the Vendor at the Service Fee of RMB163.92 million (subject to adjustment);
- (s) the asset transfer agreement dated 16 October 2018 entered into between Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司) as vendor and Huajun Power Technology (Jiangsu) Co., Ltd.* (華君電力科技(江蘇)有限公司) (“**Huajun Power Jisangsu**”), an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendor has conditionally agreed to sale, and Huajun Power Jisangsu has conditionally agreed to purchase certain assets owned by the vendor as listed in the said asset transfer agreement at the consideration of RMB125.30 million (which has been terminated on 28 November 2018);

- (t) the asset transfer agreement dated 16 October 2018 entered into between Jiangsu Xietong Solar Technology Co., Ltd.* (江蘇協通光伏科技有限公司) as vendor and Huajun Power Jisangsu as purchaser, pursuant to which the vendor has conditionally agreed to sale, and Huajun Power Jisangsu has conditionally agreed to purchase certain assets owned by the vendor as listed (which has been terminated on 28 November 2018);
- (u) the subscription agreement dated 26 October 2018 entered into by the Company and China Huajun Group Limited in respect of the subscription of convertible bond in the principal amount of HK\$1,000,000,000;
- (v) the transfer agreement dated 5 December 2018 entered into between Zhang Lijun (張立君) and Ren He (任賀), as vendors, and Huajun Power Technology Jiangsu, an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendors have conditionally agreed to sell, and Huajun Power Jiangsu has conditionally agreed to purchase the entire equity interest in Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司) at the consideration of RMB137.2 million;
- (w) the transfer agreement dated 5 December 2018 entered into between Yang Hongjun (楊洪俊) and Lu Xiaocheng (陸小程), as vendors, and Huajun Power Jisangsu, an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendors have conditionally agreed to sell, and Huajun Power Jisangsu has conditionally agreed to purchase the entire equity interest in Jiangsu Xietong Solar Technology Co., Ltd. (江蘇協通光伏科技有限公司), at the consideration of RMB367.5 million; and
- (x) the agreement dated 6 December 2018 entered into among Mr. Cong Liming (叢黎明) and Liaoning Huajun Equipment Manufacturing Co., Limited* (遼寧華君裝備製造有限公司), as vendors, and Huajun Industrial Park Management (China) Limited* (華君產業園管理(中國)有限公司), as purchaser pursuant to which the vendors have conditionally agreed to sell and Huajun Industrial Park Management (China) Limited has conditionally agreed to purchase the entire equity interest in Dalian Hydraulic Machinery Co., Limited* (大連液力機械有限公司) at the aggregate consideration of RMB36 million.

12. 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 Accountant.
- (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.

13. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively;
- (c) the material contracts referred to under the section headed "Material Contracts" in this appendix;
- (d) the letter of recommendation dated 25 January 2019 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the Appendix I of this circular;
- (e) the letter of advice from China AF Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the Appendix II of this circular;
- (f) the Property Valuation Report from Avista Valuation Advisory Limited, the text of which is set out in the Appendix III of this circular;
- (g) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;
- (h) the Agreement;
- (i) the circulars of the Company dated 29 November 2017, 24 September 2018 and 25 October 2018, respectively; and
- (j) this circular.

* For identification purpose only. The Chinese names of the respective individuals and entities have been translated into English in this circular. In the event of any discrepancies between the Chinese names and the corresponding English translation, the Chinese names prevail.



HUAJUN INTERNATIONAL GROUP LIMITED

華君國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of Huajun International Group Limited (the “**Company**”) will be held at 3:00 p.m. on Friday, 22 February 2019 at Conference Room, 36/F., Champion Tower, 3 Garden Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution.

Unless otherwise specified, capitalized terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 25 January 2019 (the “**Circular**”).

ORDINARY RESOLUTION

1. To consider and, if thought fit, pass with or without modification the following resolution as an ordinary resolution:

“THAT

- (a) the agreement for the sale and purchase of the Target Equity Interest and the Debt of the Target Company (a copy of which has been produced to the Meeting marked “A” and initialed by the chairman of the Meeting for identification purpose) dated 21 September 2018 and entered into between the Company and the Vendor at the consideration of RMB180,000,000 to be satisfied by the Convertible Bonds in principal amount of HK\$205,200,000 to be issued by the Company, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the terms and conditions of the instrument of the convertible bonds (the “**Instrument**”) to be executed by the Company in relation to the Convertible Bonds to be issued by the Company to the Vendor or its nominee under the Specific Mandate (a copy of which has been produced to the Meeting marked “B” and initialed by the chairman of the Meeting for identification purpose), subject to the Completion, which are convertible into Conversion Shares pursuant to the Instrument at the initial conversion price of HK\$38.00 per share (subject to adjustments) be and are hereby approved, confirmed and ratified;

- (c) the grant of the specific mandate to the Directors to allot and issue the Convertible Bond and to issue and allot the Conversion Shares to the Vendor or its nominee pursuant to the Instrument be and is hereby approved, confirmed and ratified. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and
- (d) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the allotment and issue of the Convertible Bonds to the Vendor or its nominee.”

By Order of the Board
Huajun International Group Limited
TAM Ka Lung
Company Secretary

Hong Kong, 25 January 2019

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete, sign and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the aforesaid meeting or any adjournment thereof should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

5. In the case of joint holders of shares, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of such joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
6. The voting on the proposed resolution at the SGM will be conducted by way of poll.

As at the date of this notice, the Board comprises Mr. Meng Guang Bao (Chairman), Ms. Zhang Ye, Mr. Guo Song, Mr. He Shufen, Mr. Zeng Hongbo as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.