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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)

CONNECTED TRANSACTION — ISSUE OF CONVERTIBLE BOND 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 3:15 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 IV-1 to IV-2 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.

31 January 2019

CONTENT

	<i>Page</i>
Definitions	1
Letter from the Board	6
Appendix I - Letter from the Independent Board Committee	I-1
Appendix II - Letter from the Independent Financial Adviser	II-1
Appendix III - General Information	III-1
Appendix IV - Notice of SGM	IV-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 26 October 2018 relating to the Subscription Agreement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder of the Convertible Bond
“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, a company incorporated in the British Virgin Islands and a controlling Shareholder (as defined under the Listing Rules) of the Company, 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 (華君國際集團有限公司) (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 issue of the Convertible Bond pursuant to the terms and conditions of the Subscription Agreement
“Completion Date”	the date on which Completion take place in accordance with the Subscription Agreement, which is within ten (10) 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 Company and CHG shall agree in writing)

DEFINITIONS

“Condition(s)”	the conditions precedent of the Subscription Agreement as set out in the paragraph headed “Conditions precedent” in the letter from the Board of this circular
“connected person”	has the meaning ascribed to it under the Listing Rules
“Conversion Period”	the period commencing from the date of issue of the Convertible Bond 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 Bond to convert the principal amount or a part thereof into Conversion Shares
“Conversion Share(s)”	the 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
“Convertible Bond”	convertible bonds in the aggregate principal amount of HK\$1,000,000,000 to be issued by the Company, pursuant to the Subscription Agreement
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 Subscription

DEFINITIONS

“Independent Financial Adviser”	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 Subscription Agreement, the transactions contemplated thereunder and the issue of the Convertible Bond under the Specific Mandate
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Subscription Agreement, the transactions contemplated thereunder and the issue of the Convertible Bond and Convertible Shares under the Specific Mandate
“Independent Third Parties”	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
“Issue Price”	the issue price of the Convertible Bond, which shall be 100% of the principal amount of the Convertible Bond
“Last Trading Day”	25 October 2018, being the last trading day immediately prior to the entering into the Subscription Agreement
“Latest Practicable Date”	28 January 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this circular
“Listing Committee”	has the same 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

DEFINITIONS

“Maturity Date”	the date falling on the fifth anniversary from the date of issue of the Convertible Bond
“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
“NH Completion”	completion of the acquisition of the NH Equity Interest by NH Purchaser from the NH Vendor pursuant to the agreement entered by the NH Vendor and the NH Purchaser dated 21 September 2018. For details of the said acquisition, please refer to the announcement published by the Company on 21 September 2018
“NH Convertible Bond”	convertible bonds in the aggregate principal amount of HK\$205.2 million to be issued by the Company, for the purpose of settling the consideration for the NH Equity Interest and the NH Debt
“NH Debt”	an aggregate amount of not less than RMB160.0 million (equivalent to approximately HK\$182.4 million) owed by the NH Target Company to the NH Vendor upon the completion of the liabilities of the NH Target Company
“NH Equity Interest”	the entire equity interest in the NH Target Company
“NH 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
“NH 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 NH Vendor, is wholly-owned by the NH Vendor as at the Latest Practicable Date
“NH 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, an associate of Mr. Meng
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region and Taiwan

DEFINITIONS

“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 Subscription and the grant of the Specific Mandate
“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 issue 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
“Subscription”	subscription of 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
“Subscription Agreement”	the Subscription Agreement dated 26 October 2018 entered into by CHG and the Company in respect of the Subscription
“Takeovers Code”	The Code on Takeovers and Mergers and Share Repurchases published by the SFC from time to time
“%”	per cent.
“HK\$”	Hong Kong Dollar, 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 translated 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.

LETTER FROM THE BOARD



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. Zheng 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

31 January 2019

To the Shareholders and for information only,

Dear Sir/Madam,

CONNECTED TRANSACTION — ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE

INTRODUCTION

Reference is made to the Announcement published by the Company on 26 October 2018 in relation to issue of Convertible Bond 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 Bond under Specific Mandate.

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

- (a) details of the issue of Convertible Bond under Specific Mandate;
- (b) the recommendations of the independent non-executive Directors in relation to the Subscription Agreement and the issue of Convertible Bond under Specific Mandate;

LETTER FROM THE BOARD

- (c) the recommendations of the Independent Financial Adviser in relation to Subscription Agreement and the issue of Convertible Bond under Specific Mandate; and
- (d) a notice of the SGM for passing the relevant ordinary resolutions.

1. ISSUE OF CONVERTIBLE BOND

On 26 October 2018 (after trading hours), the Company entered into a conditional Subscription Agreement with CHG, the substantial shareholder of the Company, pursuant to which the Company has conditionally agreed to issue, and CHG has agreed to subscribe for, the Convertible Bond in the principal amount of HK\$1,000,000,000 at the Issue Price.

Subscription Agreement

Date: 26 October 2018 (after trading hours)

Parties: Issuer: The Company

Subscriber: CHG

As at the Latest Practicable Date, CHG holds 44,450,619 Shares, representing approximately 73.27% of the total issued share capital of the Company, and is ultimately wholly and beneficially owned by Mr. Meng. Mr. Meng, is the chairman, an executive Director and a substantial shareholder of the Company. Accordingly, CHG is a connected person of the Company under the Listing Rules.

Subject matter

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue, and CHG conditionally agreed to subscribe for, the Convertible Bond in the principal amount of HK\$1,000,000,000 at the Issue Price.

Conversion Price

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

- (a) a premium of approximately 100.00% over the closing price of HK\$19.00 per Share as quoted on the Stock Exchange on Last Trading Date;
- (b) a premium of approximately 90.46% over the average closing price of HK\$19.952 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the Last Trading Date;

LETTER FROM THE BOARD

- (c) a premium of approximately 87.32% over the average closing price of HK\$20.286 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the Last Trading Date; and
- (d) 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 Convertible Bond carries 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, 26,315,789 new Shares, being the Conversion Shares, may be allotted and issued to CHG subject to the Conversion Restrictions, representing approximately 43.38% of the issued share capital of the Company as at the Latest Practicable Date Announcement and approximately 30.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares, assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date. The details of the shareholdings are set out in the paragraph headed "EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" below.

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

Basis of the Conversion Price

The Conversion Price was arrived at after arm's length negotiations between the Company and CHG with reference to the prevailing market prices of the Shares as shown above. 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 five 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 9.8% to 60.1%, with an average of approximately 40.3%.

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.

Further, although the Board observed that it is not uncommon for listed issuers in Hong Kong to set the conversion price per Share at a discount to the closing prices of the Shares, in order to protect 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 CHG, the Board requested for the Conversion Price to be set 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.

LETTER FROM THE BOARD

Although in light of the Conversion Price will be at a discount to the net asset value per Share of the Company, having considered the facts that the Conversion Price represents substantial premium over most of the benchmark prices set out above, the Directors (including independent non-executive directors) consider the Conversion Price and the terms and conditions of the Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

Conditions precedent

Completion of the Subscription Agreement is conditional upon the fulfilment of the following Conditions:

- (a) the granting of the listing of, and permission to deal in, the Conversion Shares by the Listing Committee of the Stock Exchange;
- (b) the Independent Shareholders having passed the resolutions to approve the Subscription Agreement, the transactions contemplated thereunder and the allotment and issue of the Conversion Shares under the Specific Mandate, and such approval not having been amended and having remained fully effective; and
- (c) any necessary approval, confirmation, waiver or consent by the relevant bodies or other third parties as required relating to the issue of the Convertible Bond having been obtained.

Conditions (a) and (b) are non-waivable. If any of the Conditions cannot be fulfilled (or waived, as the case may be) on or before 30 June 2019 or such later date as agreed between the Company and CHG (the “**Long Stop Date**”), the Subscription Agreement will lapse and the parties thereto shall be released from all obligations thereunder, save for the liabilities for any antecedent breaches of the terms of the Subscription Agreement.

As at the Latest Practicable Date, none of the Conditions has been fulfilled.

Completion

Completion of the Subscription Agreement shall take place within 10 Business Days after the fulfillment (or waiver, as the case may be) of all Conditions. It is expected the Completion will taken place no later than 30 June 2019.

The Issue Price shall be payable by CHG to the Company on the Completion Date in cash.

LETTER FROM THE BOARD

2. CONVERTIBLE BOND

Principal terms of the Convertible Bond

Principal terms of the Convertible Bond are arrived at after arm's length negotiations between the Company and CHG and are summarised as follows:

Issuer:	the Company
Principal Amount:	HK\$1,000,000,000
Conversion Price:	HK\$38.00 per new Share, subject to adjustment
Maturity Date:	the date falling on the fifth anniversary from the date of issue of the Convertible Bond
Interest:	1.5% per annum payable each anniversary year of issue in arrear
Redemption:	<i>At Maturity</i>

all outstanding principal amount of the Convertible Bond 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 Bond, unless the Bondholders request for full conversion of their Convertible Bond

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 Bond held by such Bondholder, as determined by the Company, by notice

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

LETTER FROM THE BOARD

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 Bond held by such Bondholder into such number of Shares as will be determined by dividing the principal amount of the Convertible Bond to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion

Conversion Restrictions: 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 the Company no longer maintain the minimum public float of the Shares required under the Listing Rules upon the Conversion;
- (b) any exercise of Conversion Rights shall be subject to all applicable laws, 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 above restrictions are collectively referred to as the “**Conversion Restrictions**”.

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

Transferability: the Convertible Bond (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 Bond 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 Bond

LETTER FROM THE BOARD

Ranking: the obligations of the Company arising under the Convertible Bond 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.

LETTER FROM THE BOARD

- (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 Bond will not be entitled to attend or vote at any meetings of the Company.

Having considered the facts that:

- (i) the Conversion Price represents a substantial premium over most of the benchmark prices set out under the paragraph headed "The Agreement — Conversion Price" in this letter of the Board;
- (ii) the interest of the Convertible Bond is at the nominal rate of 1.5% per annum, which is determined between the Company and CHG at arm's length negotiation. Such interest rate is comparatively 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,

LETTER FROM THE BOARD

CHG agreed a low interest rate for the Convertible Bond so that the Company's financial burden incurred by any interest payable can be minimized;

- (iii) the length of the maturity period for the Convertible Bond is 5-years instead of one year or ten years. If the maturity period is just one year, then the Company may need to locate alternative financing to repay the Convertible Bond soon which is not favourable to the Company's financial liquidity. Further, the Company may not have sufficient time to exercise redemption on demand by the Company as stated in page 11 of this letter of Board as the Company needs time to grow. Whereas if the maturity period is 10 years and the interest rate of the then market may drop, the Company may be locked in an interest rate higher than the then market interest rate. Accordingly, the length of the maturity period for the Convertible Bond is 5-years is fair and reasonable and in the interest of the Company and its Shareholders as a whole; and
- (iv) the other terms of the Convertible Bond are on normal commercial terms, the Board is of the view that the terms of the Convertible Bond 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 Bond 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 Bond.

3. INFORMATION OF CHG

As advised by CHG, CHG is a company incorporated in British Virgins Islands with limited liabilities and its principal activity is investment holding. CHG is a connected person of the Company under the Listing Rules as disclosed on page 7 in the paragraph under the heading "Subscription Agreement".

On 21 September 2018, the NH Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into an agreement with the NH Vendor, pursuant to which the NH Vendor has conditionally agreed to sell, and the NH Purchaser has conditionally agreed to purchase, the NH Equity Interest and the NH Debt at the total 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 NH Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the NH Debt. The respective consideration for the NH Equity Interest and the NH Debt, subject to the NH Completion and approval of the Independent Shareholder, will be settled by the NH Convertible Bond.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the said acquisition has not yet completed. For details of the said acquisition, please refer to the announcement published by the Company on 21 September 2018. As at the date of the said announcement, the NH Vendor is ultimately wholly owned by Mr. Meng. Therefore, the NH Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

4. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 60,669,200 Shares in issue. Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Completion and assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding; and (iii) immediately following the NH Completion and assuming full conversion of the NH Convertible Bond into new Shares and all existing convertible bonds issued by the Company having been converted into new shares of the Company, assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date:

	(i) As at the Latest Practicable Date		(ii) Immediately following the Completion and assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding		(iii) Immediately following the NH Completion and assuming full conversion of the NH Convertible Bond into new Shares and all existing convertible bonds issued by the Company having been converted into new Shares of the Company	
	No. of Shares	Approximate %	No. of Shares	Approximate %	No. of Shares	Approximate %
Substantial Shareholder						
CHG	44,450,619	73.27%	70,766,408	81.35%	70,766,408	70.99%
Mr. Meng (Note 1)	769,640	1.27%	769,640	0.89%	769,640	0.77%
NH Vendor	-	-	-	-	5,400,000	5.42%
Sub-total	45,220,259	74.54%	71,536,048	82.24%	76,936,048	77.18%
Holders of existing convertible bonds (Note 2)	-	-	-	-	7,294,116	7.32%
Other public shareholders (Note 3)	15,448,941	25.46%	15,448,941	17.76%	15,448,941	15.50%
Total:	60,669,200	100.00%	86,984,989	100.00%	99,679,105	100.00%

LETTER FROM THE BOARD

Notes:

1. Apart from 769,640 Shares held by Mr. Meng directly, Mr. Meng also personally holding 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.
2. As at the Latest Practicable Date, the conversion rights attaching to the existing convertible bonds issued by the Company had yet been exercised and the existing convertible bonds have not yet been converted in new Shares. To the best knowledge of the Company, the holders of existing convertible bonds are Independent Third Parties.
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 trigger any mandatory offer under Rule 26 of the Takeovers Code, and in any event, any exercise of Conversion Rights shall not render the Company no longer maintain the minimum public float (i.e. 25%) 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%.

5. MANDATE TO ISSUE THE CONVERSION SHARES

The Subscription 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.

Application will be made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Shareholders at the SGM. The Specific Mandate will cease to be effective if any of the Condition(s) has not been satisfied or, if applicable, waived by the Company or the Subscriber (as the case may be) on or before the Long Stop Date. In such case, the Company will comply with the applicable Listing Rules, and seek approval from its Shareholder(s) or Independent Shareholder(s) where required.

6. REASONS FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF NET PROCEEDS

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.

LETTER FROM THE BOARD

Mr. Meng, through CHG and/or his other associates, has from time to time provided interest free and unsecured financial assistance to the Company. Such arrangement is exempted financial assistance to the Company and is fully exempted from the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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.

In addition to approaching CHG, the Company has approached two potential subscribers for subscription of convertible bonds. However, due to the disagreement to the conversion price, interest rate and tenor of convertible bonds requested by the potential subscribers. The two potential subscribers requested to set the conversion price per Share at a discount to the closing prices of the Shares and an interest rate at a rate of two digits figure. Such terms are comparatively less favorable than the terms of the Convertible Bonds. Accordingly, the Board decided not to proceed with the subscription with these potential subscribers.

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 due to investigation by the lending banks on pledged assets, 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 to CHG for financing the operation of the Company.

LETTER FROM THE BOARD

The net proceeds from the Subscription will be approximately HK\$999,400,000 and are expected to be used with details as follow:

Use of proceeds	Estimated timing of use	Approximate Amount (HK\$)
(i) Repayment of borrowings ^(Note 1)	March and April 2019	502,140,000
(ii) Payment payable or to be payable for construction costs of existing property projects of the Group ^(Note 2)	March 2019	198,240,000
(iii) Partial considerations for the acquisition (the “ Acquisition ”) of entire equity interest 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)	March 2019	299,020,000
Total:		999,400,000

Notes:

- The detailed breakdown and key terms of such borrowings, and the repayment arrangement with the relevant lender(s) are as follows:

	Date of loan maturity	Interest rate (per annum)	Amount in HKD equivalent (million)
Lender A	12 March 2019	10%	352
Lender B	12 April 2019	9.53%	150
			502

The above borrowings are expected to be repaid on the respective date of loan maturity.

LETTER FROM THE BOARD

2. The Company currently involved with two property projects, both are in the course of construction. As at 31 October 2018, the aggregate amounts payable of the two property projects amounted to approximately RMB391.3 million (equivalent to approximately HK\$446.1 million), which were already due but not settled. As at the Latest Practicable Date, the aggregate amounts payable of the two property projects which were due but not settled are RMB391.3 million (“**Construction Amount**”) (equivalent to approximately HK\$446.1 million). The reasons for the Company not settling the RMB391.3 million, being the aggregate amounts payable of the two property projects which were already due but not settled as at 31 October 2018, are due to certain disputes with the construction contractor and the disputes are in the process of legal proceedings. To the best knowledge of the Company, the Company believes at the material times such situation would not constitute a default because the amounts of payable are in disputes and subject to court decisions.

The background and status of the said disputes are summarized as follows:

Dispute No.	Nature of dispute	Parties involved	Status of dispute
(1)	construction contract	plaintiff: construction contractor A; and defendants: Yingkou Xiangfeng Real Estates Co., Ltd.* (營口翔峰置業有限公司) (“ Yingkou Xiangfeng ”) and 保華置業管理(中國)有限公司(Baohua Real Estates Management (China) Co., Ltd.*) (“ Baohua China ”), both are wholly-owned subsidiary of the Company	The judgment for the first instance has been issued by the court on 15 November 2018, pursuant to which Yingkou Xiangfeng has to pay RMB146,458,600 to the plaintiff for settlement of the claim.
(2)	construction contract	plaintiff: construction contractor A; and defendants: Dalian Haitong Real Estate Development Co., Ltd.* (大連海通房地產開發有限公司) (“ Dalian Haitong ”) and Huajun Dalian Limited* (華君置業(大連)有限公司) (“ Huajun Dalian ”), both are wholly-owned subsidiaries of the Company	The court has ordered the case to be retried by the court and the date of retrial has not been fixed.
(3)	construction contract	plaintiff: construction contractor A; and defendants: Dalian Haitong, and Huajin Dalian	The judgment for the first instance has been issued by the court on 19 December 2018, pursuant to which Dalian Haitong has to pay RMB179,241,293 to the plaintiff for settlement of the claim.

To the best knowledge of the Company, the construction amount payable or to be payable by the Company for the said construction projects, taking into account of (i) the RMB325,699,893 (equivalent to approximately HK\$371,312,860) being the sum of the construction amount payable pursuant to the judgments for Dispute No. (1) (i.e. RMB146,458,600) and Dispute No. (3) (i.e. RMB179,241,293) disclosed in the above table; and (ii) the defendants of these disputes do not intend to appeal against the said judgments, is at least approximately HK\$371,312,860 and therefore part of the proceeds from the Convertible Bond is reserved for the purpose disclosed in item (ii) under the heading “Use of Proceeds” on page 18 of this Circular.

LETTER FROM THE BOARD

Assuming the Convertible Bond is issued and part of the proceeds arising from the Convertible Bond are used to settle part of the Construction Amount, the remaining outstanding balance of the Construction Amount will be as follows:

RMB391.3 million (equivalent to HK\$446.1 million) minus HK\$198.24 million = HK\$247.86 million.

The Company will settle the said remaining balance by operating cashflow of the Group, principally from the proceeds from sale of properties.

The cash to total assets ratio before and after the Subscription are 1.84% and 7.73% respectively.

Based on current information and assuming no unforeseen circumstances, the working capital requirements of the Company for 12 months ending 31 December 2019 (including (i) bank loans repayable; (ii) corporate bonds repayment; (iii) acquisition of entire equity interest in Dalian Hydraulic Machinery Co., Ltd* (大連液力機械有限公司) (announced by the Company on 6 December 2018); and (iv) property development costs) are approximately RMB3,729,479,000. The aforesaid bank loans (i.e. item (i)) and corporate bonds (i.e. item (ii)) shall mature within 2019 respectively.

The above working capital requirements are expected to be financed by the (i) operating cash flow generated by the Company (20%); (ii) refinancing of existing borrowings (30%), and (iii) new borrowings of the Company, including the proposed issue of Convertible Bonds (50%). To the best knowledge of the Company, the Company believes that it will have sufficient funds to meet its working capital requirement for 12 months ending 31 December 2019 taking into account of the proceeds from the Subscription.

The net issue price, after deduction of the relevant expenses, is approximately HK\$37.98 per Conversion Share.

The Board (including the independent non-executive Directors after taking into account the opinion and advice from the Independent Financial Adviser), considers raising funds by issuing the Convertible Bond is justifiable because (i) the issue of the Convertible Bond incurs lower interest burden and financial costs compared to bank borrowings; (ii) it will not have an immediate dilution effect on the shareholding of the existing shareholders of the Company; (iii) the time horizon for the issue of the Convertible Bond is relatively shorter compared to alternative equity fund raising methods; (iv) there will not be any liability and obligations on the Company for payment or repayment (whether in cash or otherwise) in respect of the Convertible Bond if the Convertible Bond are converted into Shares of the Company; and (v) the capital base of the Company will be enlarged by the issue of the new shares upon conversion of the Convertible Bond. In addition, the Convertible Bond, as a financing instrument combining the characteristics of both equity and liability, have a long conversion period and the Company has the right to redeem the Convertible Bond, thus being more flexible and a more realistic choice for the Company to replenish its capital.

LETTER FROM THE BOARD

The Directors (including independent non-executive directors), excluding 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, consider that the terms of the Subscription Agreement including the term for issue of the Convertible Bond, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

7. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD IMMEDIATELY PRECEDING THE LATEST PRACTICABLE DATE

The Company has not conducted any fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

8. IMPLICATIONS UNDER LISTING RULES

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) 44,450,619 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 a 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.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CHG is the substantial shareholder of the Company, holds 44,450,619 Shares, representing approximately 73.27% of the total issued share capital of the Company, and is ultimately wholly and beneficially owned by Mr. Meng. Accordingly, the Subscription Agreement constitutes a connected transaction of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. CHG, Mr. Meng and their respective associates are required to abstain from voting on the resolutions in respect of the Subscription Agreement at the SGM. To the best of the Directors' information, belief and knowledge, save for CHG, Mr. Meng and their respective associates, no other Shareholders have any material interest in the Subscription Agreement and the grant of the Specific Mandate. Mr. Meng has also abstained from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder.

9. GENERAL

The Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bond. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the grant of the Specific Mandate.

The SGM will be convened and held for the Independent Shareholders to consider, and if thought fit, to approve the Subscription Agreement and the grant of the Specific Mandate.

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 Subscription Agreement are on normal commercial terms and the issue of Convertible Bond 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 Subscription Agreement the transactions contemplated thereunder and the grant of the Specific Mandate.

SGM

A SGM will be convened will be held on Friday, 22 February 2019 at 3:15 p.m. at Conference Room, 36/F, Champion, 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, the Subscription and the transactions contemplated thereunder including the and the grant of Specific Mandate to allot and issue the Conversion Shares.

LETTER FROM THE BOARD

The notice of the SGM is set out in the Appendix IV 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.

ADDITIONAL INFORMATION

Your attention is drawn to the (1) letter from the Independent Board Committee set out in the Appendix I of this circular and (2) letter of advice from the Independent Financial Adviser set out in the Appendix II of this circular, which contains among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder (including the grant of Specific Mandate to allot and issue of the Conversion Shares) and the principal factors considered by it in arriving at its recommendation.

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

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

Yours faithfully,
By Order of the Board
Huajun International Group Limited
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

31 January 2019

To the Independent Shareholders

Dear Sir or Madam,

THE SUBSCRIPTION AGREEMENT

We refer to the circular dated 31 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 Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate, and to advise the Independent Shareholders as to whether the terms of Subscription Agreement and the transactions contemplated thereunder, including and the grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

Upon taking into account the recommendation of the Independent Financial Adviser, we consider that the Subscription Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bond 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 Subscription Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bond 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 this circular.



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

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23 Harbour Road
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中國農信財務顧問有限公司
香港灣仔港灣道23號鷹君中心
23樓2303-2306室

31 January 2019

To: Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION – ISSUE OF CONVERTIBLE BOND 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 Subscription Agreement and the transactions contemplated thereunder, being the issue of the Convertible Bond under the Specific Mandate (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 31 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 26 October 2018 (after trading hours), the Company entered into a conditional Subscription Agreement with CHG, the substantial shareholder of the Company, pursuant to which the Company has conditionally agreed to issue and CHG has agreed to subscribe for the Convertible Bond in the principal amount of HK\$1,000,000,000 at the Issue Price.

The Convertible Bond carries 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, 26,315,789 new Shares, being the Conversion Shares, may be allotted and issued to CHG subject to the Conversion Restrictions, representing approximately 43.38% of the issued share capital of the Company as at the Latest Practicable Date and approximately 30.25% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares, assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date. The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

As at the Latest Practicable Date, CHG is the substantial shareholder of the Company, holds 44,450,619 Shares, representing approximately 73.27% of the total issued share capital of the Company, and is ultimately wholly and beneficially owned by Mr. Meng. Accordingly, the Subscription Agreement constitutes a connected transaction of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM.

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

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 Transactions 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 in respect of the Transactions, we have reviewed, among others, the Announcement, the Circular, the annual reports of the Company for the year ended 31 March 2017 and 2018, respectively (the "**Annual Report 2017**" and "**Annual Report 2018**", respectively), the interim report of the Company for the six months ended 30 September 2018 (the "**Interim Report 2018**"), the relevant internal documents of the Company and have enquired with and obtained information, opinions and representations provided to us by the Company, Directors and management of the Group.

We have relied on the above information and representations supplied, and the opinions expressed by the Company, Directors and management of the Group, 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 Company, Directors and/or management of the Group 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.

Save for this appointment as the Independent Financial Adviser in respect of the Transactions, and the appointment as the independent financial adviser to the Company in respect of the disclosable and connected transaction and the issue of convertible bonds under specific mandate as announced by the Company on 21 September 2018, there were no other engagements between us and the Company or any other connected parties thereto in the last two years. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, and those in connection with the aforementioned appointment as the independent financial adviser to the Company in respect of the disclosable and connected transaction and the issue of convertible bonds under specific mandate, 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 connected parties thereto. 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 consider that we are eligible to give independent advice to the Independent Board Committee and the Independent Shareholders 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 of the entering into of the Subscription 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 Annual Report 2017 and 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	1,977,066
– 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)	(3,851,803)
Profit/(Loss) before tax	134,548	(925,030)
Net profit/(loss)	<u>43,401</u>	<u>(928,455)</u>

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 18.3% 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. However, primarily owing to the (i) increase in cost of sales and services; (ii) adverse change in fair value of investment properties; (iii) provision made in respect of two financial guarantee contracts; (iv) impairment loss of available-for-sale investments; and (v) impairment loss in respect of property, plant and equipment, 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 2018:

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

	For the 6M2017	For the 6M2018
	<i>RMB’000</i>	<i>RMB’000</i>
	(unaudited)	(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
<i>Bank balances and cash</i>	<i>172,868</i>	<i>255,113</i>	<i>233,857</i>
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 CHG

As set out in the Letter of the Board, CHG is a company incorporated in British Virgins Islands with limited liabilities and its principal activity is investment holding. CHG is a connected person of the Company under the Listing Rules as disclosed earlier in this letter.

On 21 September 2018, the NH Purchaser, an indirect wholly-owned subsidiary of the Company, has entered into an agreement with the NH Vendor, pursuant to which the NH Vendor has conditionally agreed to sell, and the NH Purchaser has conditionally agreed to purchase, the NH Equity Interest and the NH Debt at the total 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 NH Equity Interest and RMB160.0 million (equivalent to approximately HK\$182.4 million) being the consideration for the NH Debt. The respective consideration for the NH Equity Interest and the NH Debt, subject to the NH Completion and approval of the Independent Shareholder, will be settled by the NH Convertible Bond. As at the Latest Practicable Date, the said acquisition has not yet completed.

(iii) Use of proceeds

Based on the Letter from the Board, after deducting the relevant expenses, the net proceeds from the Subscription will be approximately HK\$999,400,000. The expected use of such net proceeds is summarised below as to:

1. approximately HK\$502,140,000 for repayment of borrowings (*Note 1*);
2. approximately HK\$198,240,000 for making payment payable or to be payable for construction costs of existing property projects of the Group (*Note 2*); and
3. approximately HK\$299,020,000 for settling partial considerations for the acquisition of entire equity interest 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).

Notes:

1. The detailed breakdown and key terms of such borrowings, and the repayment arrangement with the relevant lender(s) are as follows:

	Date of loan maturity	Interest rate (per annum)	Amount in HKD equivalent (million)
Lender A	12 March 2019	10%	352
Lender B	12 April 2019	9.53%	150
			502

The above borrowings are expected to be repaid on the respective date of loan maturity.

2. The Company currently involved with two property projects, both are in the course of construction. As at 31 October 2018, the aggregate amounts payable of the two property projects amounted to approximately RMB391.3 million (equivalent to approximately HK\$446.1 million), which were already due but not settled. As at the Latest Practicable Date, the aggregate amounts payable of the two property projects which were due but not settled are RMB391.3 million (“**Construction Amount**”) (equivalent to approximately HK\$446.1 million). The reasons for the Company not settling the RMB391.3 million, being the aggregate amounts payable of the two property projects which were already due but not settled as at 31 October 2018, are due to certain disputes with the construction contractor and the disputes are in the process of legal proceedings. To the best knowledge of the Company, the Company believes at the material times such situation would not constitute a default because the amounts of payable are in disputes and subject to court decisions.

The background and status of the said disputes are summarized as follows:

Dispute No.	Nature of dispute	Parties involved	Status of dispute
(1)	construction contract	plaintiff: construction contractor A; and defendants: Yingkou Xiangfeng Real Estates Co., Ltd.* (營口翔峰置業有限公司) (“ Yingkou Xiangfeng ”) and 保華置業管理(中國)有限公司 (Baohua Real Estates Management (China) Co., Ltd.*) (“ Baohua China ”), both are wholly-owned subsidiary of the Company	The judgment for the first instance has been issued by the court on 15 November 2018, pursuant to which Yingkou Xiangfeng has to pay RMB146,458,600 to the plaintiff for settlement of the claim
(2)	construction contract	plaintiff: construction contractor A; and defendants: Dalian Haitong Real Estate Development Co., Ltd.* (大連海通房地產開發有限公司) (“ Dalian Haitong ”) and Huajun Dalian Limited* (華君置業(大連)有限公司) (“ Huajun Dalian ”), both are wholly-owned subsidiaries of the Company	The court has ordered the case to be retried by the court and the date of retrial has not been fixed
(3)	construction contract	plaintiff: construction contractor A; and defendants: Dalian Haitong, and Huajin Dalian	The judgment for the first instance has been issued by the court on 19 December 2018, pursuant to which Dalian Haitong has to pay RMB179,241,293 to the plaintiff for settlement of the claim

To the best knowledge of the Company, the construction amount payable or to be payable by the Company for the said construction projects, taking into account of (i) the RMB325,699,893 (equivalent to approximately HK\$371,312,860) being the sum of the construction amount payable pursuant to the judgments for Dispute No. (1) (i.e. RMB146,458,600) and Dispute No. (3) (i.e. RMB179,241,293) disclosed in the above table; and (ii) the defendants of these disputes do not intend to appeal against the said judgments, is at least approximately HK\$371,312,860 and therefore part of the proceeds from the Convertible Bond is reserved for the purpose disclosed in item 2. under the heading “Use of Proceeds” above.

Assuming the Convertible Bond is issued and part of the proceeds arising from the Convertible Bond are used to settle part of the Construction Amount, the remaining outstanding balance of the Construction Amount will be as follows:

RMB391.3 million (equivalent to HK\$446.1 million) minus HK\$198.24 million = HK\$247.86 million.

The Company will settle the said remaining balance by operating cashflow of the Group, principally from the proceeds from sale of properties.

(iv) Reasons for and benefits of the entering into of the Subscription Agreement and the use of proceeds

For the purpose of analysing the reasons for and benefits of the entering into of the Subscription Agreement, we have investigated into details of the use of relevant net proceeds as follows.

Regarding the use of net proceeds as to approximately HK\$502.1 million for repayment of borrowings, we have further enquired with the Company and noted that the borrowings comprise (i) a bank borrowing in the amount of approximately HK\$352 million; and (ii) another bank borrowing in the amount of approximately HK\$150 million. We have reviewed the relevant documents and confirmed the above borrowings of the Company, and note that will be due by March and April 2019, respectively, which are in the near future. As such, we consider that the Company is in need of funding in this regard.

As for the use of net proceeds of approximately HK\$198.2 million for making payment payable or to be payable for construction costs of existing property projects of the Group, we understand from the Company that two property projects are involved, both in the course of construction, and we have reviewed the relevant accounts of the two property projects. We note that, as at 31 October 2018, the aggregate amounts payable of the two property projects amounted to approximately RMB391.3 million (equivalent to approximately HK\$446.1 million), which were already due but not settled. As at the Latest Practicable Date, such aggregate amounts payable remained unsettled, but according to the Letter from the Board, such situation would not constitute a default because the amounts of payable are in disputes and subject to court decisions. Nonetheless, we note that the construction amount payable or to be payable by the Company is at least approximately HK\$371.3 million, and agree that it is necessary for the Company to prepare financial resources as it may need to settle such amounts payable shortly, and consider that it is justifiable for the Company to apply net proceeds of approximately HK\$198.2 million to settle the relevant payment.

As for the use of net proceeds of approximately HK\$299.0 million for settling partial considerations for the acquisition (i.e. the Acquisition) of entire equity interest in and debts owed by Jurong Simaite Intelligent Science and Technology Co., Ltd. and Jiangsu Xietong Solar Technology Co., Ltd., details of which are set out in the Company's announcement dated 5 December 2018, we note that the considerations of the aforementioned acquisition will be due by March 2019, and thus agree that the Company needs to prepare financial reserves for this purpose given that the time is close. We also understand that the Company has taken into account its future funding needs, and considered that it is favourable for Group to reserve more internal resources and avoid increasing external borrowings which would incur additional interest burden on the Group by issuing the Convertible Bond for settling partial consideration of the Acquisition. Having considered the Group's prevailing working capital position and future funding needs, details of which are set out in the next paragraph, we consider the Company's decision fair and reasonable and in the interest of the Company and the Shareholders as a whole.

On the other hand, we also consider it necessary for the Company to satisfy the above funding need by issuing the Convertible Bond. In coming to such opinion, we have taken into account that (i) the aggregate amount of such funding need is substantial; (ii) we have further enquired with the Company and understand that apart from such funding need, the Company also requires a substantial amount of working capital for the 12 months ending 31 December 2019 for, among others, repayment of other loans and its operation; and (iii) despite the above, the Group only recorded audited bank balances and cash of approximately RMB255.1 million as at 31 March 2018 according to the Annual Report 2018 and unaudited bank balances and cash of approximately RMB233.9 million as at 30 September 2018 according to the Interim Report 2018. Based on the latest bank balances and cash position of the Group and taking into account the size of the above funding need, we believe that the Company would not have sufficient internal resources to satisfy such funding need in a reasonable time. The issue of the Convertible Bond represents an immediate funding solution for the Group to satisfy its funding need without affecting the prevailing working capital of the Company and without immediate dilution of the shareholding of the existing Shareholders, and allows the Company to reserve its financial resources on hand for its daily operations.

As a result of all the above, we consider that both the issue of the Convertible Bond and the Company's intended use of relevant net proceeds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(v) *Other financing alternatives*

As set out in the Letter from the Board, the Company has considered alternative debt financing, but has taken into account that 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 due to investigation by the lending banks on pledged assets, if required, and negotiations with the banks with regards to the Group's financial position and capital structure. The Company has also considered the then prevailing stock market condition. Based on the above, the Directors consider that debt financing is more uncertain and time consuming when compared with the issue of Convertible Bond.

In this regard, we have enquired with the Company and are advised that the Company has approached three banks for potential banking facilities or bank loans both in Hong Kong and in the PRC. However, up to the date of the Subscription Agreement, the Company did not receive any positive response or proposals from the banks regarding the bank loans or banking facilities. We also concur with the Company's view that debt financing may also be subject to lengthy due diligence and negotiations with banks which could last for a few months according to the Company's past experience, and further consider that (i) 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 (ii) 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 Bond be exercised, such that the capital base of the Company can be enlarged and strengthened. Based on the above, we concur with the Board that the issue of the Convertible Bond, being an equity financing means, is more appropriate than debt financing and is in the interest of the Company and the Shareholders as a whole.

Regarding other equity financing means, such as placing of new shares and rights issue or open offer, we note that the Company has approached a securities firm with the aim to obtain potential placees who will agree on the Conversion Price but did not receive any concrete feedback, and has not been able to identify other possibility other than that, which could be attributed to the significant premium represented by the Conversion Price over the prevailing prices of the Shares. We further consider that (i) it 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, the whole process of which could take a few months; (ii) placing or rights issue or open offer may carry higher costs as the Company will need to pay placing or underwriting commission thereunder which ranged from 0.8% to 3.0% of the aggregate placing or underwriting amount among those transactions involving placing or underwriting announced by listed issuers on the website of the Stock Exchange in the recent month that we have been able to identify, while no such commission is involved in the issue of the Convertible Bond; (iii) 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; (iv) 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 (v) 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 Bond represents immediate funding for the Company without immediate dilution of the shareholding of the existing Shareholders. Based on the above, we concur with the Board that the issue of the Convertible Bond is the best option available to the Company in respect of equity financing which is reasonable and in the interest of the Company and the Shareholders as a whole.

In addition, the Company has also approached two potential subscribers other than CHG for subscription of convertible bonds. However, due to the conversion price, interest rate and tenor of convertible bonds requested by the potential subscribers, the Board decided not to proceed with the subscription with these potential subscribers. In this regard, we have further enquired with the Company and understand that the conversion prices requested by the potential subscribers are lower than the Conversion Price, while the interest rates requested by the potential subscribers are higher than that of the Convertible Bond. As such, we consider the terms requested by the potential subscribers are less favourable to the Company and the Shareholders than those of the Convertible Bond, and hence it is fair and reasonable for the Board to decide not to proceed with the subscription with these potential subscribers. Furthermore, having considered that (i) the Company has approached two potential subscribers other than CHG for subscription of convertible bonds; (ii) the Board has compared the terms requested by the potential subscribers with those of the Convertible Bond; and (iii) apart from the two aforesaid potential subscribers, the Company has not been able to identify other potential subscribers, we are of the view that the Company and the Board have applied their best endeavour to obtain the best available terms for issuing convertible Bonds, and that the issue of the Convertible Bond and the terms thereunder are the best option available to the Company.

Based on all of the above, we concur with the Board that the issue of the Convertible Bond to settle the Company's funding need is the best option available to the Company, and is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

B. Principal terms of the Subscription Agreement

(i) Descriptions of principal terms of the Subscription Agreement

Set out below are the summary of the major terms of the Subscription Agreement:

Date:	26 October 2018 (after trading hours)		
Parties:	Issuer:	The Company	
	Subscriber:	CHG	

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 Bond held by such Bondholder into such number of Shares as will be determined by dividing the principal amount of the Convertible Bond to be converted by the Conversion Price and no fraction of a Share shall be issued on conversion

Conversion Restrictions: 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 the Company no longer maintain the minimum public float of the Shares required under the Listing Rules upon the Conversion;
- (b) any exercise of Conversion Rights shall be subject to all applicable laws, 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 above restrictions are collectively referred to as the "Conversion Restrictions".

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

Transferability: the Convertible Bond (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 Bond 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 Bond

Ranking: the obligations of the Company arising under the Convertible Bond 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; and
- (b) capitalisation of profits or reserves.

Please refer to the Letter from the Board for details of the adjustment mechanism.

Conversion Price

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

- (a) a premium of approximately 100.00% over the closing price of HK\$19.00 per Share as quoted on the Stock Exchange on Last Trading Date;
- (b) a premium of approximately 90.46% over the average closing price of HK\$19.952 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the Last Trading Date;
- (c) a premium of approximately 87.32% over the average closing price of HK\$20.286 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the Last Trading Date; and
- (d) 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.

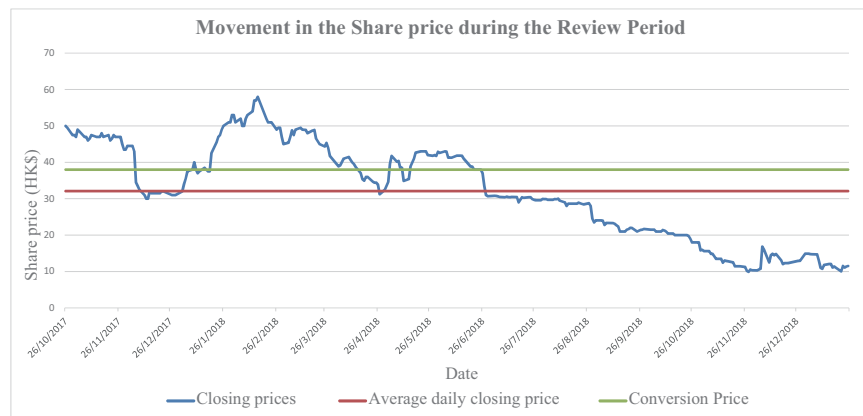
(iii) *Analysis on the principal terms of the Convertible Bond*

1. *Conversion Price*

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 26 October 2017 (being one year prior to the date of the Subscription Agreement) up to and including the Latest Practicable Date (the “**Review Period**”). We consider the sampling period of approximately 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, at the beginning of the Review Period, the share price has been decreasing and reached their relative bottom of HK\$30.00 per Share on 12 December 2017. After that, price of the Shares started to recover and reached their peak during the Review Period of HK\$58.00 per Share on 15 February 2017. Subsequently, the share price started to decline on the same trading day and formed a general decreasing trend. The price of the Shares has been remaining at a level below HK\$38.00 per Share, being the initial Conversion Price, since 22 June 2018 and reached their bottom during the Review Period of HK\$9.90 per Share on 28 November 2018. The daily closing price of the Shares ranged from HK\$9.90 per Share to HK\$58.00 per Share, with an average daily closing price of HK\$32.08 per Share, during the Review Period, which is below the Conversion Price of HK\$38.00.

(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:

Table 4: Monthly trading volume of Shares during the Review Period

	Total number of issued Shares as at the end of the respective month/period	Monthly total trading volume of Shares for the month/ period	Number of trading days of the Shares	Average daily trading volume of Shares for the month/ period <i>(Note 1)</i>	Percentage of average daily trading volume of Shares to the total issued Shares <i>(Note 2)</i>
2017					
October (From 26 October 2017)	6,066,920,085	68,160	4	17,040	0.0003%
November	6,066,920,085	302,440	22	13,747	0.0002%
December	6,066,920,085	528,075	19	27,793	0.0005%
2018					
January	6,066,920,085	1,241,075	22	56,413	0.0009%
February	6,066,920,085	933,460	18	51,859	0.0009%
March <i>(Note 3)</i>	60,669,200	440,560	21	20,979	0.0346%
April	60,669,200	252,946	19	13,313	0.0219%
May	60,669,200	1,335,880	21	63,613	0.1049%
June	60,669,200	616,680	20	30,834	0.0508%
July	60,669,200	58,440	21	2,783	0.0046%
August	60,669,200	67,600	23	2,939	0.0048%
September	60,669,200	26,880	19	1,415	0.0023%
October	60,669,200	10,900	21	519	0.0009%
November	60,669,200	252,600	22	11,482	0.0189%
December	60,669,200	814,680	19	42,878	0.0707%
2019					
January	60,669,200	73,320	18	4,073	0.0067%
Minimum					0.0002%
Maximum					0.1049%

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

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.
2. The calculation is based on the average daily trading volumes of the Shares divided by the total issued share capital of the Company at the end of each month or as at the Latest Practicable Date, as applicable.
3. Share consolidation of every one hundred (100) existing shares into one (1) Consolidated Share of HK\$1.00 each effective on 5 March 2018.

As set out in the above table, during the Review Period, the average daily trading volume of the Shares ranged between approximately 0.0002% to 0.1049% of the number of total issued Shares as at the respective month/period, which were relatively thin. The relatively low trading volume suggests 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 transactions announced by the companies listed on the Stock Exchange which involved issue of convertible bonds/notes under specific mandate announced between 1 August 2018 and the Latest Practicable Date, being a period of approximately four months. To the best of our knowledge and as far as we are aware of, we have identified 18 comparable transactions which met the said criteria (the “**Comparable Issues**”). We consider that the Comparable Issues can provide a reference on the recent issue of shares of similar nature given that (i) the Comparable Issues are carried out under specific mandates, which is identical to the way the Convertible Bond 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 5: Details of the Comparable Issues

Date of announcement	Name of company	Stock code	Principal amount <i>(approximate)</i>	Term <i>(years)</i>	Interest rate <i>(per annum)</i>	Premium/ (Discount) of the conversion price over/to the closing price on the respective last trading day <i>(approximate)</i> <i>(Note 1)</i>	Premium/ (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>	Premium/ (Discount) of the conversion price over/to the respective latest audited net asset value per share <i>(approximate)</i>
2019/1/24	ShiFang Holding Limited	1831	HK\$250million	3	3.0%	9.09%	4.53%	29.51%
2019/1/11	TUS International Limited	872	HK\$89.9million	6	Nil	(14.31%)	(10.00%)	33.15%
2018/12/31	China Rui Feng Renewable Energy Holdings Limited	527	HK\$13.8million	2	8.00%	(13.00%)	(12.00%)	(16.56%)
2018/12/21	Hospital Corporation of China Limited	3869	HK\$800million	5	6.00%	13.12%	12.17%	56.01%
2018/12/18	Shougang Concord Century Holdings Limited	103	HK\$150million	3	4.00%	83.33%	86.44%	(54.40%)
2018/12/4	Winto Group (Holdings) Limited	8238	HK\$60million	2	Nil	87.50%	87.50%	786.83%
2018/11/22	Country Garden Holdings Company Limited	2007	HK\$7,830million	5	4.5%	30.00%	37.11%	155.25%
2018/11/21	Carnival Group International Holdings Limited	996	US\$350million	2	8.0%	57.48%	54.08%	(56.10%)
2018/11/16	Grand Field Group Holdings Limited	115	HK\$112.3million	2	3.0%	5.13%	4.77%	(89.70%)

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company	Stock code	Principal amount <i>(approximate)</i>	Term <i>(years)</i>	Interest rate <i>(per annum)</i>	Premium/ (Discount) of the conversion price over/to the closing price on the respective last trading day <i>(approximate)</i> <i>(Note 1)</i>	Premium/ (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>	Premium/ (Discount) of the conversion price over/to the respective latest audited net asset value per share <i>(approximate)</i>
2018/11/13	Evershine Group Holdings Limited	8022	HK\$300million	2	1.0%	(18.00%)	(17.00%)	871.57%
2018/11/12	Moody Technology Holdings Limited	1400	HK\$100million	2	8.0%	(20.00%)	(18.20%)	N/A <i>(Note2)</i>
2018/10/12	Yanchang Petroleum International Limited	346	US\$60million	2	6.0%	8.57%	Nil	(42.11%)
2018/10/8	China Healthwise Holdings Limited	348	HK\$120million	2	6.0%	69.49%	67.22%	100.80%
2018/9/21	China Sandi Holdings Limited	910	HK\$500million	5	1.0%	(9.50%)	(9.80%)	(46.54%)
2018/9/3	Lamtex Holdings Limited	1041	HK\$648million	3	4.0%	1.89%	6.72%	(33.11%)
2018/8/24	International Standard Resources Holdings Limited	91	HK\$365million	3	2.0%	25.98%	22.70%	27.28%
2018/8/14	YiChang HEC Changjiang Pharmaceutical Co., Ltd.	1558	US\$400million	7	3.0%	3.00%	0.30%	461.23%
2018/8/1	Xiezhong International Holdings Limited	3663	HK\$218.7million	3	8.0%	1.96%	1.08%	45.97%
Maximum				7	8.0%	87.50%	87.50%	871.57%
Minimum				2	Nil	(20.00%)	(18.20%)	(89.70%)
Average				3.3	4.2%	17.87%	17.65%	131.12%
Median				3	4.0%	6.85%	4.65%	29.51%
The issue of the Convertible Bond			HK\$1,000million	5	1.5%	100.00%	90.46%	(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 a net liability position for 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\$205.2 million which is announced on 21 September 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 17.87% and 6.85%, respectively. The Conversion Price, which represented a premium of approximately 100.00% to the closing price of HK\$19.00 per Share as quoted on the Stock Exchange on the Last Trading Date, is significantly higher than all of the above indicators.

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 17.65% and 4.65%, respectively. The Conversion Price, which represented a premium of approximately 90.46% to the average closing price of approximately HK\$19.952 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date, is also significantly higher than all of the above indicators.

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 29.51%. 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 five 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 9.8% to 60.1%, with an average of approximately 40.3%. 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 reflect 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.

Having considered that (i) the Conversion Price is within the range of closing prices of the Shares, and near the average of the closing prices 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 significantly above the range, average and median 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 on the above list of the Comparable Issues, interest rates of the Comparable Issues generally ranged from nil to 8.00% per annum with an average and a median of approximately 4.2% and 4.0% 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 Bond is fair, reasonable and in the interest of the Company and the Shareholders as a whole.

3. *Term*

Based the above list of the Comparable Issues, the terms of the Comparable Issues ranged from two to seven years, with an average and a median of approximately 3.3 and 3 years, respectively. The term of the Convertible Bond, being five years, is in line with the aforesaid market practice. We also note that the term of the Convertible Bond is longer than the average and median of the terms of the Comparable Issues, and in this sense, we consider that the Company is allowed more time and flexibility before needing to repay the Convertible Bond, when compared with those listed issuers regarding the Comparable Issues. Accordingly, we consider that the term of the Convertible Bond of five years is fair and reasonable.

C. Dilution Effects on the shareholding structure of the Company

Set out below is the shareholding structure of the Company (a) as at the Latest Practicable Date; (b) immediately after Completion (assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding); and (c) immediately after the NH Completion (assuming full conversion of the NH Convertible Bond into new Shares and all existing convertible bonds issued by the Company having been converted into new Shares, assuming that there are no other changes in the share capital of the Company from the Latest Practicable Date to the Completion Date):

Table 5: Dilution effect on the shareholding structure of the Company

Substantial Shareholder	(a) As at the Latest Practicable Date		(b) Immediately after Completion (assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding)		(c) Immediately after the NH Completion (assuming full conversion of the NH Convertible Bond into new Shares and all existing convertible bonds issued by the Company having been converted into new Shares of the Company)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
CHG	44,450,619	73.27%	70,766,408	81.35%	70,766,408	70.99%
Mr. Meng (Note 1)	769,640	1.27%	769,640	0.89%	769,640	0.77%
NH Vendor	-	-	-	-	5,400,000	5.42%
Sub-total	45,220,259	74.54%	71,536,048	82.24%	76,936,048	77.18%
Holders of existing convertible bonds (Note 2)	-	-	-	-	7,294,116	7.32%
Other public shareholders (Note 3)	15,448,941	25.46%	15,448,941	17.76%	15,448,941	15.50%
Total:	60,669,200	100.00%	86,984,989	100.00%	99,679,105	100.00%

Notes:

1. Apart from 769,640 Shares held by Mr. Meng directly, Mr. Meng also personally holding 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.
2. As at the Latest Practicable Date, the conversion rights attaching to the existing convertible bonds issued by the Company had yet been exercised and the existing convertible bonds have not yet been converted in new Shares. To the best knowledge of the Company, the holders of existing convertible bonds are Independent Third Parties.

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%).

We noted that the shareholding of the existing public Shareholders would decrease from approximately 25.46% to 17.76% immediately after Completion and assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding, representing a dilution of approximately 7.7% 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 issue of the Convertible Bond and the use of proceeds therefrom 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 Subscription 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 Bond, when converted into Conversion Shares, will be recognized 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 the terms of the Subscription Agreement and the transaction contemplated thereunder, being the issue of the Convertible Bond under Specific Mandate, although not conducted in the ordinary and usual course of business of the Company, are on normal commercial terms. Furthermore, we are of the view that the Subscription Agreement and the issue of Convertible Bond 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.

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>60,669,200</u> Shares	<u>60,669,200</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. The entire issued share capital of CHG is beneficially owned by Huajun Group Limited (華君集團有限公司) which is wholly-owned 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.
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.

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) (Note 6)	Mr. Meng	Beneficial owner	3,000,000,000	100%

Note:

6. CHG is a wholly-owned subsidiary of Huajun Group Limited (華君集團有限公司).

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

4. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO,

or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholders	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
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 a 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' SERVICE 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. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualifications of the experts who has given opinion or advice which are 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

As at the Latest Practicable Date, the above expert has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 March 2018, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

The above expert has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion herein of its respective letter, report, advice and/or references to its respective name, in the form and context in which they respectively appear.

7. COMPETING INTERESTS

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

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.

On 21 September 2018 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 and ultimately wholly-owned by Mr. Meng, entered into an agreement with Baohua Properties (China) Limited* (保華地產(中國)有限公司) the indirect wholly-owned subsidiary of the Company in respect of the acquisition of the entire equity interest and debt in Baohua Properties (Huai’an) Limited* (保華地產(淮安)有限公司) owned or to be owned by the said vendor before the completion at the aggregate consideration of RMB180.0 million upon the terms and conditions set out in the 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.

On 26 October 2018, the Company announced that, as notified by the said creditor in writing, the guarantee obligations of the Company under the said guarantee have been fully released and the Company is no longer liable to the said creditor under the respective guarantee.

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 sale and purchase agreement dated 21 September 2018 entered into between Baohua Properties (China) Limited* (保華地產(中國)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, as the purchaser and Nanjing Huajun Real Estate Co., Ltd.* (南京華君置業有限公司), a company established in the PRC with limited liability and is ultimately owned by Mr. Meng, as the vendor, pursuant to which the vendor has conditionally agreed to sell and the purchaser has conditionally agreed to purchase, the entire equity interests in and debt owed by 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, 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;

- (t) 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 Jiangsu**”), an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendor has conditionally agreed to sale, and Huajun Power Jiangsu 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);
- (u) 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 Jiangsu as purchaser, pursuant to which the vendor has conditionally agreed to sale, and Huajun Power Jiangsu has conditionally agreed to purchase certain assets owned by the vendor as listed (which has been terminated on 28 November 2018);
- (v) 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;
- (w) 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 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;
- (x) 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 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 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
- (y) 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 Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (c) The head office and principal place of business of the Company is situated at 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong.
- (d) The Hong Kong share registrar of the Company is Union Registrars Limited, located at Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King's Road, North Point, Hong Kong.
- (e) In the event of inconsistency, the English text shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively;
- (c) each of the material contracts as referred to in the section headed "Material contracts" in this appendix;
- (d) the letter of recommendation dated 31 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 written consent referred to in the section headed “Qualifications and consents of experts” in this appendix;
- (g) the Subscription Agreement;
- (h) the circulars of the Company dated 29 November 2017, 24 September 2018, 25 October 2018 and 25 January 2019; and
- (i) this circular.

* *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.*



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 3:15 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 31 January 2019 (the “**Circular**”).

ORDINARY RESOLUTION

“**THAT**

- (a) the conditional subscription agreement (the “**Subscription Agreement**”) (a copy of which has been produced to the Meeting marked “A” and initialed by the chairman of the Meeting for identification purpose) dated 26 October 2018 and entered into between the Company and China Huajun Group Limited in respect of the subscription (the “**Subscription**”) for the Convertible Bond (the “**Convertible Bond**”) in principal amount of HK\$1,000,000,000 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 bond (the “**Instrument**”) to be executed by the Company in relation to the Convertible Bond 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) subject to completion of the Subscription of the Convertible Bond the grant of the specific mandate to the Directors to issue the Convertible Bond and to issue and allot the Conversion Shares to CHG 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 Bond to CHG.”

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

Hong Kong, 31 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, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
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.