THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

HUAJUN INTERNATIONAL GROUP LIMITED
華君國際集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 377)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN DALIAN HYDRAULIC MACHINERY CO., LIMITED* INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

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

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

A notice convening the special general meeting of the Company (the "**SGM**") to be held at 3:00 p.m. on Thursday, 11 July 2019 at Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong is set out on pages V-1 to V-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.

* *For identification purpose only*

24 June 2019

CONTENTS

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

"Acquisition"	the acquisition of the Target Equity Interest contemplated under the Agreement
"Agreement"	the agreement dated 6 December 2018 entered into by the Vendors and the Purchaser in respect of the Acquisition
"Announcement"	the announcement of the Company dated 6 December 2018 relating to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"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), which is ultimately wholly-owned by Mr. Meng
"closing price"	closing price per Share for any trading day as published by the Stock Exchange
"Company"	Huajun International Group Limited (Stock Code: 377), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Agreement
"Completion Date"	the date on which Completion take place in accordance with the Agreement, which is within five Business Days after the date of fulfilment (or waiver, as the case may be) of the last of the Conditions (or such other date as the Purchaser and the Vendor shall agree in writing)

"Condition(s)"	the conditions precedent of the completion of the Agreement as set out in the paragraph headed "Conditions Precedent" in the Letter of the Board in of this circular
"Conditions Fulfillment Date"	30 September 2019 or such later date as agreed between the parties
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB36 million (equivalent to approximately HK$40.68 million), the consideration for the Target Equity Interest under the Agreement
"Consideration A"	RMB27,889,200 (equivalent to approximately HK$31,514,796), being the consideration payable by the Purchaser for the 77.47% of Target Equity Interest owned by the Vendor A under the Agreement
"Consideration B"	RMB8,110,800 (equivalent to approximately HK$9,165,204), being the consideration payable by the Purchaser for the 22.53% of Target Equity Interest owned by the Vendor B under the Agreement
"Consideration Shares"	873,875 new Shares to be allotted and issued by the Company to the Vendor B at the Issue Price for settling the Consideration B pursuant to the Agreement
"Director(s)"	director(s) of the Company
"Dissolved Companies"	certain companies, which are currently wholly-owned subsidiaries of the Target Company, will be and/or undergone deregistration process
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the issue of the Consideration Shares

"Independent Financial Adviser" or "China AF"	China AF Corporate Finance Limited, a corporation licensed by the Securities and Futures Commission to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the issue of the Consideration Shares 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 Agreement and the transactions contemplated thereunder and the issue of the Consideration Shares under the Specific Mandate
"Independent Third Party(ies)"	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules), and the term "Independent Third Party" shall be construed accordingly
"Independent Valuer"	LCH (Asia-Pacific) Surveyors Limited, the independent valuer engaged by the Purchaser for preparing the valuation report in respect of the valued amount of the property interests
"Issue Price"	HK$10.488, being the issue price per Consideration Share
"Last Trading Date"	5 December 2018, being the last trading day immediately before entering into the Agreement
"Latest Practicable Date"	19 June 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
"Listing Committee"	has the meaning ascribed to it in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Madam Bao"	Madam Bao Le (鮑樂), the spouse of Mr. Meng
"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
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
"PRC Subsidiary A"	Huajun Hydraulic Machinery Technology Development (Liaoning) Co., Limited* (華君液力機械科技發展（遼寧）有限公司) (formerly known as Dalian Hydraulic Machinery (Yingkou) Co., Limited* (大連液力機械（營口）有限公司)), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company
"PRC Subsidiary B"	Dalian Huajun Pumps Industry Co., Limited* (大連華君泵業有限公司) (formerly known as Dalian Island Hydraulic Technology Co., Limited* (大連海島液力科技有限公司)), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Target Company
"Purchaser"	Huajun Industrial Park Management (China) Limited* (華君產業園管理（中國）有限公司), a company established in the PRC with limited liability, which is an indirect wholly-owned subsidiary of the Company
"SFC"	the Securities and Futures Commission
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder and other ancillary matters as may be required under the Listing Rules
"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Specific Mandate"	the specific mandate for the allotment and issuance of the Consideration Shares to be granted to the Directors by the Shareholders at the SGM

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers and Share Repurchases published by the SFC from time to time
"Target Company"	Dalian Hydraulic Machinery Co., Limited* (大連液力機械有限公司), a company established in the PRC with limited liability, which, as advised by the Vendors, is owned by the Vendors as at the Latest Practicable Date
"Target Equity Interest"	the entire equity interest in the Target Company
"Target Group"	collectively, the Target Company, PRC Subsidiary A and PRC Subsidiary B
"Target Land"	the land parcel situated at No. 5, Yinghui Road, Ganjingzi District, Dalian, the PRC, with a total site area of approximately 66,684.2 square meters
"Vendors"	collectively the Vendor A and Vendor B
"Vendor A"	Liaoning Huajun Equipment Manufacturing Co., Limited* (遼寧華君裝備製造有限公司), a company established in the PRC with limited liability
"Vendor B"	Mr. Cong Liming (叢黎明), a businessman and citizen in the PRC
"%"	per cent
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

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

For the purposes of illustration only, any amount denominated in RMB in this circular was converted into HK$ at the rate of RMB1 = HK$1.13. Such conversion should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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

HUAJUN INTERNATIONAL GROUP LIMITED
華君國際集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 377)

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

Independent Non-Executive Directors:
Mr. Zheng Bailin
Mr. Shen Ruolei
Mr. Pun Chi Ping

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

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

24 June 2019

To the Shareholders,

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN DALIAN HYDRAULIC MACHINERY CO., LIMITED* INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

References are made to the Announcement in relation to the acquisition of the Target Equity Interest which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and issue of the Consideration Shares. The Board proposes to seek the approval of the Independent Shareholders for the issue of the Consideration Shares under Specific Mandate.

* *For identification purpose only*

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

(a) details of the Acquisition and issue of the Consideration Shares under Specific Mandate;

(b) the recommendations of the independent non-executive Directors in relation to the Agreement and issue of the Consideration Shares under Specific Mandate;

(c) the recommendations of the Independent Financial Adviser in relation to the Acquisition, the Agreement and issue of the Consideration Shares; and

(d) a notice of the SGM for passing the relevant ordinary resolutions.

1. THE AGREEMENT

On 6 December 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest at the Consideration of RMB36 million (equivalent to approximately HK$40.68 million).

Principal terms of the Agreement are set out as follows:

Date: 6 December 2018

Parties: Vendor A: Liaoning Huajun Equipment Manufacturing Co., Limited* (遼寧華君裝備製造有限公司), a company established in the PRC with limited liability which is principally engaged in, among other things, research and sales of metal products

As at the Latest Practicable Date, the Vendor A is ultimately wholly owned by Mr. Meng and his spouse, therefore, the Vendor A is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the acquisition of 77.47% of Target Equity Interest owned by the Vendor A constitutes connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM

Vendor B:	Mr. Cong Liming (叢黎明) The Vendor B is businessman and citizen in the PRC. As further advised by the Vendor B he is graduated from the Machinery Department* (機械系) of the Dalian Institute of Engineering* (大連工學院) (currently known as Dalian Polytechnic University* (大連理工大學)) in 1976 and is the Chairman and General Manager of the Target Company since March 2007. The Vendor A and the Vendor B are purely shareholders of the Target Company, apart from that the Vendor A and Vendor B do not have any relationship. Apart from Mr. Meng holding 77.47% of the Target Equity Interest through the Vendor A, Mr. Meng does not have any other relationship with the Vendor B. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor B is an Independent Third Party
Purchaser:	Huajun Industrial Park Management (China) Limited* (華君產業園管理(中國)有限公司), a company established in the PRC with limited by liability, and the indirect wholly-owned subsidiary of the Company

Asset to be Acquired

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

As at the Latest Practicable Date, Target Company directly holds the entire equity interest in the PRC Subsidiary A, PRC Subsidiary B and Dissolved Companies.

Pursuant to the Agreement, the Purchaser will not acquire the Dissolved Companies which all are currently undergoing deregistration process and the Vendors undertake to bear all relevant expenses and fully compensate the Purchaser for the losses or third party claims arising therefrom.

For details, please refer to the diagram under the section headed "INFORMATION ON THE TARGET GROUP" of this letter from the Board below.

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

The Target Company currently owns the Target Land, which is situate at No. 5, Yinghui Road, Ganjingzi District, Dalian, the PRC, with a total site area of approximately 66,684.2 square meters. The Target Land is for industrial or non-residential use. Currently there is a manufacturing plant situated at the Target Land which was used for production of photovoltaic related products. The Target Land is currently subject to mortgage dated 28 June 2017 (the "**Mortgage**") created in favour of Shengjing Bank Co., Ltd. Dalian Branch* (盛京銀行股份有限公司大連分行) (the "**S Bank**") to secure borrowings of the Target Company. The key terms of the Mortgage are as follows:

Security period and loan period:	for the period from 28 June 2017 to 27 June 2019
Land subject to the Mortgage:	portion of the Target Land with a site area of 37,181.52 sq.m.
Interest rate:	6.65% per annum
Principal amount:	RMB109,500,000
Outstanding amount:	RMB109,500,000

The PRC Subsidiary A currently owns Property 2, which as disclosed in page III-16, is situate at Lot No. D2-44 at Minfu Road East and Guoan Avenue North Coastal Industrial Base, Yingkou, Liaoning Province, PRC, with total site area of approximately 395,725.50 square meters. Currently there is a manufacture plant under construction. Property 2 is currently pledged to Yingkou Coastal Bank Limited* (營口沿海銀行股份有限公司) (the "**YC Bank**") for a banking facility with maximum limit of RMB140,000,000 ("**Yi Xing Loan**") of Yi Xing Yong Neng New Energy Investment Company Limited* (宜興永能新能源投資有限公司), ("**Yi Xing**"), a business partner of Mr. Meng and an Independent Third Party of the Company, for the period from 8 November 2016 to 7 November 2017. Based on the result of searches, the ultimate beneficial owners of Yi Xing are Feng Guoliang* (馮國梁), Xia Minglong* (夏明龍), Feng Guodong* (馮國棟), Zuo Anxiang* (左安香) and Yang Yueqiang* (楊月強) who are Independent Third Parties of the Vendor B, the Company, its connected persons (including the Vendor A) and their respective associates.

Further background information in relation to the Yi Xing Loan is as follows:

(1) A guarantee was entered into by Huajun Electric Power (Yingkou) Co., Ltd.* 華君電力(營口)有限公司 (now known as Yingkou Furun Industrial Co., Ltd.* 營口富潤實業有限公司) ("**YFIL**")), as guarantor in November 2016 ("**Yixing Guarantee**"). Yi Xing was then ultimately owned by two individuals, namely, Feng Guoliang* (馮國梁) and Chen Xia* (陳霞). YFIL was subsequently acquired by the Company in April 2018.

(2) The Yixing Guarantee was entered into by YFIL in November 2016 for the Yi Xing Loan with principal of RMB140 million granted by the YC Bank to Yi Xing with original maturity date in November 2017. At the time when YFIL entered into the Yixing Guarantee in November 2016, YFIL was not yet a subsidiary of the Company. As at 31 December 2018, the outstanding principal amount of the Yi Xing Loan is RMB138.8 million and outstanding interest is approximately RMB28.4 million. Pursuant to Yixing Guarantee, YFIL has charged a piece of land (the

"**Land**") owned by YFIL as part of the security to guarantee the repayment of Yi Xing Loan. If Yi Xing failed to repay the Yi Xing Loan, YFIL does not have any obligations to repay the Yi Xing Loan, however, the lender might take over the Land.

(3) In order to mitigate the risk for potential loss of the Group in respect of the Yi Xing Guarantee, on 29 March 2019, Mr. Meng had arranged his privately owned company, Huajun Holdings Group Limited, to replace YFIL as the guarantor of Guarantee. The Yixing Guarantee was subsequently released.

(4) In respect of Yixing Guarantee and as disclosed above, at the time YFIL entered into the Yixing Guarantee in November 2016, YFIL was not yet a subsidiary of the Company. YFIL acquired by the Group in April 2018.

The Yi Xing Loan was secured by the following:

(a) The pledge of Property 2 as disclosed above;

(b) Personal guarantee executed by Mr. Meng and Madam Bao; and

(c) Yixing Guarantee by YFIL.

The current outstanding amount of the Yi Xing Loan is approximately RMB177.6 million which is due to be paid but still outstanding because, as advised by the Vendors, Yi Xing has not settled the loan drawn from the said banking facility. The YC Bank has sold the loan on 22 February 2018 to Liaoning Rui Shou Yi Shi Ye Company Limited* (遼寧瑞壽義實業有限公司) (the "**New Lender**"), an Independent Third Party of the Company. Based on the search result, the ultimate beneficial owner of the New Lender is Liang Qianqian* (梁倩倩) who is Independent Third Party of the Vendor B, the Company, its connected persons (including the Vendor A) and their respective associates. If Yi Xing failed to repay the Yi Xing Loan, the PRC Subsidiary A does not have any obligations to repay the Yi Xing Loan, however, the New Lender might take over the Property 2. As at the Latest Practicable Date, as advised by the Vendors, that they have not received any notice from the New Lender of such enforcement action. The transfer of the Yi Xing Loan from the YC Bank to the New Lender does not impose any new obligations to the PRC Subsidiary A in relation to the said loan. The PRC Subsidiary A has provided the Property 2 as security to the YC Bank for repayment obligation of the Loan. The Target Company and/or the PRC Subsidiary A are not guarantors for the Loan.

It is one of the Conditions, namely that the Target Company is the legal and beneficial owner of all its assets free from any encumbrance or third party's right, being Condition (2) as stated below for Completion, that the said pledge for the Property 2 shall be released prior to Completion.

The Company understands from the Vendors that the reason for Property 2 was pledged for banking facility of Yi Xing at that time was due to business partner relationship between Yi Xing and Mr. Meng.

Consideration

The Consideration, for the Target Equity Interest shall be in aggregate of RMB36 million (equivalent to approximately HK$40.68 million). Pursuant to the Agreement, the Purchaser shall pay the Consideration to the Vendors in the following proportion on 10 Business Days after the Completion Date:

	Amount of the Consideration	**To be settled by**
Vendor A	RMB27,889,200 (equivalent to approximately HK$31,514,796)	cash
Vendor B	RMB8,110,800 (equivalent to HK$9,165,204)	issue of the Consideration Shares to the Vendor B

As at 31 December 2018, the cash and bank balances of the Company were RMB701,946,000. Therefore, the Company has sufficient cash and bank balance to pay the Consideration A to the Vendor A.

Pursuant to the Agreement the Vendor B and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK$1.13. Accordingly 873,875 new Shares will be allotted and issued by the Company to the Vendor B at the Issue Price for settling of the Consideration B, subject to the Completion.

The Vendor B waived receipt of any balance of the Consideration B arising from the issue of the Consideration Shares.

The Consideration was determined by the Purchaser and the Vendors after arm's length negotiations with reference to the unaudited consolidated net asset value of the Target Group as at 31 October 2018.

In determination of the Consideration, the Company has also taken into account the preliminary draft of valuation report of the property interests held by the Target Group at that material time. There is no significant difference between the preliminary draft of the valuation report and the final valuation report (the "**Valuation Report**") prepared by the Independent Valuer as annexed to this circular as Appendix III.

LCH (Asia-Pacific) Surveyors Limited, the Independent Valuer, is a firm of professional surveyors and valuation consultants in Hong Kong. Qualification of the Independent Valuer is set out in page III-11 to this circular. As disclosed in the section headed "Experts and Consents" of Appendix IV to this circular, at the Latest Practicable Date, the Independent Valuer has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group. Based on the above, the Board believes that the Independent Valuer possessed the competency and independence to provide its professional service to carry out the valuation of the property interests held by the Target Company.

As disclosed in page III-2 of the Valuation Report in Appendix III, there are two valuation bases adopted by the Independent Valuer, namely, market value basis and valuation bases other than market value. The Independent Valuer, having considered the inherent characteristics of each of the properties, that is, whether the property can be freely transferred in the market, has classified the properties valued into two categories of basis of valuation, namely, Category A (i.e. Property 1, Property 2 and Property 3 as listed in page III-12 of the Valuation Report in Appendix III) – Market Value Basis and Category B (i.e. Property 4 as listed in page III-13 of the Valuation Report in Appendix III) – Non-market Value Basis (Investment Value). The Board considered the classification of the properties owned by the Target Group into two categories is justifiable as nature of the properties is different:

1. Category B: as the Property 4 listed in page III-19 of this circular will be resumed by the local Government. Transferability of the Property 4 will be restricted and therefore the Property 4 will not be marketable. Accordingly, the Board considered the adoption of the Non-market Value basis for the Property 4 by the Independent Valuer is fair and reasonable.

2. Category A: whereas as the said Property 1, 2 and 3 are not subject to resumption nor being restricted for transfer therefore other valuation basis should be adopted by the Independent Valuer. Having considered the general and inherent characteristics of Property 1, the Independent Valuer have adopted the depreciated replacement cost ("**DRC**") approach. The use of the DRC approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. As disclosed in page III-4 of the Valuation Report in Appendix III, the Sales Comparison Approach is not adopted by the Independent Valuer for Property 1 because there is no readily available comparable transactions and listing information of whole manufacturing plant properties similar as Property 1 and for owner-occupied specialised properties where it is impracticable to identify the market value by the Sales Comparison Approach, the DRC approach is considered as the most appropriate approach. Having considered the general and inherent characteristics of Properties 2 and 3, and the relevant market transactions/listings information available, the Independent Valuer have adopted the Sales Comparison Approach in valuing the properties. The Sales Comparison Approach considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value estimate by processes involving comparison. The Independent Valuer considers the Sales Comparison Approach as the best approach if there is readily identifiable transaction for properties with similar nature. In valuing the land portion of Property 2, which is an industrial land in nature, sales comparables of land with same industrial usage in Yingkou City, were identified and referenced. In valuing Property 3, which is a residential property, sales residential comparables in Chaoyang District in Beijing were identified and referenced. Accordingly, the Board considered the adoption of the DRC approach for the Property 1 and the adoption of the Sales Comparison approach for the Properties 2 and 3 by the Independent Valuer are fair and reasonable.

As disclosed in page III-3 of the Valuation Report in Appendix III, the valuation of the properties of Category A (i.e. Property 1, Property 2 and Property 3) is based on the following assumptions:

1. the legally interested party in each of the properties has absolute title to its relevant property interests;

2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;

3. the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;

4. each of the properties has obtained relevant government's approval for the sale of the property and is able to be disposed of and transferred it free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. each of the properties can be freely disposed and transferred free of all encumbrances at the 30 April 2019 (the "**Valuation Date**") for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

As disclosed in page III-4 of the Valuation Report in Appendix III, the underlying assumption of the Sales Comparison approach for Properties 2 and 3 is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility.

As disclosed in page III-5 of the Valuation Report in Appendix III, the valuation of the property in Category B is based on the assumption that, as at the Valuation Date, the legally interested party in the property maintained its title to use the property till the expiration of the allowable term, and that the terms and conditions would remain unchanged during the residual land use term.

As disclosed above, the Board has assessed the key assumptions adopted in the Valuation Report and is of the view that they are fair and reasonable as the Board believes that they are the usual valuation method and key assumptions adopted by professional valuer. For details of the Valuation Report, please refer to the Valuation Report in Appendix III to this circular.

In determining the settlement methods of the Consideration to each of the Vendors, i.e. by cash to the Vendor A and by the issue of the Consideration Shares to the Vendor B, the Board has considered the following factors:

(i) the portion of the Consideration to be shared between the Vendor A and Vendor B is approximately 77% and 23%;

(ii) if the Company elected to settle the relevant portion of the Consideration to the Vendor A by issue of new Shares to the Vendor A, the immediate dilution effect on the shareholding of the existing Shareholders of the Company may be comparatively great and furthermore Mr. Meng's interests in the issued share capital of the Company would exceed 75% of the total issued shares of the Company. In such case, the Company might breach rule 8.08 of the Listing Rules in future;

(iii) although the issue of the Consideration Shares to the Vendor B will also have immediate dilution effect on the shareholding of the existing Shareholders of the Company, the Company will broaden its Shareholder base and capital base. This will provide comparatively benefit to the Company and its Shareholders as a whole.

Consideration Shares

The Consideration Shares represent approximately 1.44% of the existing issued share capital of the Company as of the date of the Latest Practicable Date and approximately 1.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the date of the Latest Practicable Date to the Completion Date, save as the issue of the Consideration Shares).

The Consideration Shares will be allotted and issued at the Issue Price, which represents:

(a) a discount of approximately 2.71% over the closing price of HK$10.78 per Share as quoted on the Stock Exchange on Last Trading Date;

(b) the same as the average closing price of HK$10.488 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date;

(c) a discount of approximately 1.67% to the average closing price of HK$10.666 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Date;

(d) a discount of approximately 75.81% to the audited net asset value of HK$43.36 per Share of the Company as at 31 December 2018 (based on the then total 60,669,200 issued Shares as at 31 December 2018); and

(e) a premium of approximately 4.88% over the closing price of HK$10.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor B, with reference to the prevailing market price of the Shares and the average closing price of the Shares as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Agreement.

Initially, the Board had considered settling the Consideration, payable to the Vendor B, in cash, instead of settling the Consideration by issue of the Consideration Shares. After arm's length negotiation between the parties, the Company consider issuing of the Consideration Shares will be beneficial to the Company and its Shareholders as a whole because the Company can broaden its Shareholders base and maintain more cash in the Company.

The Board noted that the Issue Price represents a discount of approximately 75.81% to the audited net asset value of approximately HK$43.36 per Share of the Company as at 31 December 2018. The Board further noted that during the period from 1 June 2018 (about six months prior to the Last Trading Date) up to the Last Trading Date, the Shares had been consistently traded at a discount to the net asset value per Share, ranging from approximately 9.8% to 79.2%, with an average of approximately 47.5%.

Accordingly, the Board considers that it would be more appropriate to determine the Issue 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.

The Directors (including independent non-executive directors) consider the Issue Price and the terms and conditions of the issue of the Consideration Shares are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

Although in light of the Issue Price will be at a discount to the net asset value per Share of the Company, having considered the facts that as (i) the Issue Price equal to the average closing price of HK$10.488 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Date; (ii) the Issue Price is at a minimal discount of approximately 1.67% to the average closing price of HK$10.666 as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Date; (iii) the Issue Price is at a discount of approximately 2.71% over the closing price of HK$10.78 per Share as quoted on the Stock Exchange on Last Trading Date; and (iv) the payment method of issuing the Consideration Shares will enlarge the equity base of the Company, to the best knowledge of the Directors, the Directors consider the issue of Consideration Share is financially beneficial to the Company.

Therefore the Directors consider that the Issue Price and the Consideration are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Conditions Precedent

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

(1) the Company has obtained the Independent Shareholders' approval in relation to the Agreement and the transactions contemplated thereunder or has obtained relevant exemptions from the Stock Exchange;

(2) the Vendors are the legal and beneficial owner of the Target Equity Interest free from any encumbrance or third party's rights and save and except the Target Land is subject to the existing mortgage in favour of bank, in particular, the Mortgage (as defined in page 9 above) in favour of the S Bank and the Target Company is the legal and beneficial owner of all its assets free from any encumbrance or third party's rights;

(3) the completion of the Target Equity Interest has been complied with the relevant PRC laws simultaneously to the satisfaction of the Purchaser;

(4) the management of Target Company has not done any act which may result material adverse change on the business, assets, properties, financial condition, operation and prospect of Target Company before and at the Completion Date; and the representations, warranties and undertakings given by the Vendors are true and accurate on the Completion Date;

(5) the Vendors have obtained all necessary approvals and authorisations from third parties in respect of the Acquisition and relevant matters;

(6) the representations, warranties and undertakings given by the Vendors have remained true, accurate and not misleading in all material respects and no breach of any of such warranties in any respect has been made by the Vendors;

(7) the Target Company having provided the documents (to its satisfaction) required by the Purchaser proving that its assets (including the interest of the Target Land) have been duly registered under the name of the Target Company free from any encumbrances and third parties' rights;

(8) the Vendors having obtained and provided to the Purchaser all invoices in compliance with the tax authority in the PRC in respect of the assets owned by the Target Company; and if any of the invoices has not yet issued on the date of the Agreement, the Vendors are responsible for obtaining the relevant invoices (subject to the Purchaser's approval on issuance of such invoices by the Vendors) and the relevant tax amount shall be fully borne by the Vendors;

(9) the Target Company is the registered owner of the Target Land free from any encumbrances and third parties' rights save and except subject to the existing mortgage in favour of bank, in particular, the Mortgage (as defined in page 9 above) in favour of the S Bank; and

(10) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Consideration Shares.

Save as Conditions (1) and (10) which cannot be waived by the Purchaser and/or the Vendors, the remaining Conditions can be waived by the Purchaser. As at the Latest Practicable Date, the Purchaser does not have any intention to waive any of the Conditions. If any of the Conditions has not been fulfilled (or waived, as the case maybe) by the Conditions Fulfillment Date, the Agreement shall lapse.

For event of completion of the Target Equity Interest under Condition (3) above including the change of (a) the registration of ownership of the Target Equity Interest from the Vendors to the Purchaser; and (b) the legal representative, director, supervisor, business license, organization code certificate, account opening permit, credit institution code certificate, land registration information as directed by the Purchaser.

As at the Latest Practicable Date, save as Conditions 6 and 9, none of the Conditions has been fulfilled.

Completion

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

As at the Latest Practicable Date, the registration of the change of ownership of the Target Equity Interest from the Vendors to the Purchaser is still under process.

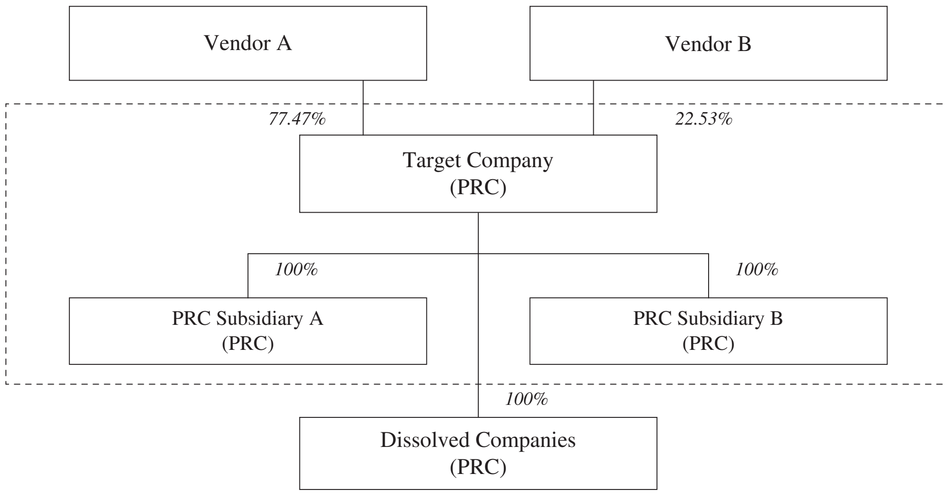
The Completion shall take place within 5 Business Days after all Conditions having been fulfilled or such other date agreed by the parties in writing. The expected date of Completion will be on or before 30 September 2019.

Information of the Purchaser

The Purchaser is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in, among other things, investment holding.

Information on the Target Group

The shareholding structure of the Target Group as of the Latest Practicable Date is shown as in the simplified chart below:



Note:

Target Group

(i) The Target Company is a company established in the PRC with limited liability in January 1947 and its principal business is manufacture and maintenance of hydraulic machinery and electrical engineering construction. The Target Company directly holds all issued share capital of the PRC Subsidiary A and the PRC Subsidiary B;

(ii) The PRC Subsidiary A is a company established in the PRC with limited liability in July 2016 and its principal business is manufacture and sale of solar photovoltaic products; and

(iii) The PRC Subsidiary B is a company established in the PRC with limited liability in October 2017 and its principal business is manufacture and sale of solar photovoltaic power supply supporting aluminum frame and support.

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

As advised by the Vendors, details of the major assets and liabilities held by the Target Group as at 31 October 2018 are as follows:

(1) Major assets

The major assets of the Target Group include current working capital assets, i.e. cash at banks of approximately RMB11.3 million, inventories of approximately RMB27.5 million, trade and other receivables of approximately RMB122.0 million and non-current assets of approximately RMB229.7 million, mainly machineries and properties held by the Target Group. The major assets of the Target Group of RMB390.5 million do not include the assets of the Dissolved Companies.

Properties

The details of the properties are summarized as follows:

Category A – properties held by the Target Group under long-term title certificates in the PRC

	Property	Interest of the Target Group	Current status as at the Valuation Date	Intended use by the Company as at the Latest Practicable Date
1.	A manufacture plant located at Nos. 5-1, 5-2, 5-3, 5-4, 5-5 and 5-6, Yinghui Road Ganjingzi District, Dalian City Liaoning Province The PRC 116036 中國遼寧省大連市甘井子區營輝路5號	100 per cent.	The property was occupied as manufacturing workshops, warehouses, canteen and offices.	Same as current usage, namely for the Target Company's manufacturing purpose
2.	A parcel of land known as Lot No.D2-44 with a manufacture plant under construction and located at Minfu Road East and Guoan Avenue North Coastal Industrial Base Yingkou Liaoning Province The PRC 115000 中國遼寧省營口市沿海產業基地民富路東國安大街北	100 per cent.	The property is under construction. The estimated date of completion to be in September 2019.	To be used as manufacturing plant for the Group's solar photovoltaic business [Note 1]
3.	A residential unit known as Unit 107, Block 13 inside Shaoyaoju Jia 2 Hao Chaoyang District Beijing The PRC 100029 中國北京朝陽區芍藥居甲2號內13號樓107	100 per cent.	The property was occupied as a staff quarter	To be used as a staff quarter

Category B – Properties held by the Target Group with restricted titles in the PRC

	Property	Interest of the Target Group	Current status as at the Valuation Date	Intended use by the Company as at the Latest Practicable Date
4.	A manufacture plant located at Nos. 99, 99-1 and 99-2, and 99-4 to 99-18 Dongwei Road Ganjingzi District Dalian City Liaoning Province The PRC 116036 中國遼寧省大連市甘井子區東緯路99號	100 per cent.	The property was vacant.	No intended use Note 2

Note:

1. As disclosed in page III-16 of the Valuation Report, there is a manufacture plant under construction in Property 2. As at the Latest Practicable Date:

   (a) construction cost of RMB87.7 million has been incurred; the expected completion date of construction is September 2019;

   (b) the estimated construction/development costs to be incurred after the Completion are approximately RMB43,100,000. Such costs will be borne by the Target Company and will be financed by either internal resources of the Target Group or external borrowing from bank. Currently, there is no definite plan on that and no definite terms have been reached.

   (c) the Company has entered into a construction contract in relation to Property 2 with a contract sum of RMB120 million and construction period for 730 days.

   As disclosed in notes 5 and 10 of page III-17 of the Valuation Report that the construction permit for the Property 2 is still in the process of application and according to the legal opinion sought by the Company from its PRC lawyer the PRC Subsidiary A may be subject to payment of administrative penalty. As advised by the PRC lawyer that, based on their understanding they do not foresee any legal obstacle in obtaining the construction permit. The PRC lawyer estimates the amount of administrative penalty will be in the region of 1% to 10% of the construction contract sum. As provided under the Agreement, the Vendors shall be responsible for any loss arising from any litigation (including the payment of the said administrative penalty) arising from action(s) of the Target Company conducted prior to Completion. For avoidance of doubt, the Vendors shall be responsible for the payment of the administrative penalty arising from the construction of Property 2 by the Target Company before the construction permit is obtained. Further, as advised by the Vendors that the PRC Subsidiary A has not received any notice for payment of administrative penalty and/or imposition of fine from relevant PRC authority(ies).

2. As disclosed in page III-20 of the Valuation Report, it has been announced that property will be resumed by the local Government. The Target Company has the right to obtain compensations regarding the announced resumption. Further information is as follows:

(a) As advised by the Vendors, there are 18 houses erected on Property 4. Save and except 1 house out of the said 18 houses is registered under the name of the Target Company, the remaining 17 houses ("**17 Houses**") were registered under the name of Shuihua Zhongying Construction and Decoration Co., Limited* (綏化市中影建築安裝裝飾有限公司) ("**Shuihua**"). As advised by the Vendors, the Target Company had agreed to sell the 17 Houses to Shuihua. Then dispute arose in relation to the said sale of the 17 Houses by the Target Company and Shuihua, as the plaintiff, filed a lawsuit against the Target Company as the defendant. Pursuant to the judgement, namely (2010) Da Min Er Chu Zi Di 28 Hao* ((2010)大民二初字第28號), issued by PRC Liaoning Province Dalian City Intermediate People's Court and the judgment, namely (2011)) Liao Min Yi Zhong Zi Di 57 Hao* ((2011)遼民一終字第57號), issued by PRC Liaoning Province Higher People's Court, the Court held that in the contractual dispute between Shuihua and the Target Company, the ownership of Shuihua over the said 17 houses is void and the ownership of the Target Company should be reinstated. Accordingly, as advised the PRC legal adviser, the legal title of Property 4 is owned by the Target Company.

As further advised by the Vendors, Dalian City Land Reserve Centre* (大連市土地儲備中心) (the "**Centre**") has planned to resume the Property 4 from the Target Company. The Company understands that the Target Company and the Centre have completed the negotiation on the amount of the compensation, to be received by the Target Company, for resumption of the Property 4 which is pending the final approval by the Centre. As at the Latest Practicable Date, it is not yet finalized the timing of Property 4 to be resumed by the local government. It is expected that the resumption will be taken place after the Completion. It is also expected that the amount of compensation to be received by the Target Company will be about RMB140,000,000 (the "**Estimated Compensation Amount**"), as determined by the Centre and the Target Company during the preliminary negotiation with reference to value of the Property 4 of RMB61,700,000 and other factors, however the actual amount of compensation to be received by the Target Company may be higher or lower subject to final approval by the Centre. The difference between the Estimated Compensation Amount and the value of Property 4 is approximately RMB80,720,000 which was added after taking into account of other factors including loss of business will be suffered by Target Company caused by the close down of the operation at the Property 4, costs of relocation of business and compensation payable to employees. The estimated amount of compensation might be varied in the range of about RMB136,000,000 to RMB143,000,000. Pursuant to the Agreement, the Vendors do not have any right to claim for any and/or all of the compensation amount to be received by the Target Company.

(b) As at the Latest Practicable Date, Property 4 is accounted for the financial statements of the Target Group in the account caption of property, property and equipment.

(c) The book value of Property 4, as at 31 October 2018 is approximately RMB53,000,000, which is approximately 18.37% of the total asset value of the Target Company as at 31 October 2018.

After Completion, there is no capital commitment by the Company on the Target Land and the said other properties save and except that the Target Group has capital commitment to Property 2 as its construction is in progress.

(2) Major liabilities

The major liabilities of the Target Group are loan of approximately RMB109.5 million owed to the S bank, trade and other payables of approximately RMB241.0 million, bills payables of RMB4 million. The major liabilities of the Target Group of RMB354.5 million do not include the liabilities of the Dissolved Companies and the pledge of Property 2.

Financial Information of The Target Group

Set out below are the unaudited combined financial information of the Target Group for each of the three financial years ended 31 December 2016, 31 December 2017 and 31 December 2018, as extracted from its unaudited combined management accounts of the Target Group provided by the Vendors (for illustration purposes only):

	For the year ended 31 December 2016 *(RMB'000)* (unaudited)	**For the year ended 31 December 2017** *(RMB'000)* (unaudited)	**For the year ended 31 December 2018** *(RMB'000)* (unaudited)
Net loss for the year/period before taxation	12,891	7,538	5,768
Net loss for the year/period after taxation	12,891	7,538	5,768

Based on the unaudited combined management accounts of the Target Group provided by the Vendors, the unaudited net asset value and total asset value of the Target Group as at 31 December 2018 were approximately RMB43.1 million and approximately RMB447.2 million, respectively. The unaudited net asset value of the Target Group of RMB43.1 million as at 31 December 2018 does not include the net asset value of the Dissolved Companies.

The loss of the Target Group was due to relative high amount of administrative expenses (of approximately RMB28.6 million, RMB26.4 million and RMB22.2 million for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 respectively) incurred by the Target Group. The nature of the administrative expenses of the Target Group were primarily interest expense for construction of manufacture plants, depreciation expense of manufacture plants and amortization of land.

The reason for movement of the financial performance of the Target Group for the two years ended 31 December 2017 and 31 December 2018 is mainly due to the followings:

(1) Increase in revenue of the Target Group from RMB64.5 million in year ended 31 December 2016 to RMB70.6 million in year ended 31 December 2017, and further increase to total revenue of RMB76.2 million for the year ended 31 December 2018. The underlying reason for the said increase in revenue is increase in products sales.

(2) Decrease in administrative expenses from RMB28.6 million in year ended 31 December 2016 to RMB26.4 million in year ended 31 December 2017, and recorded administrative expenses of RMB22.2 million for the year ended 31 December 2018. The underlying reason for the said decrease in administrative expenses is decrease in staff cost in administrative function.

The revenue contribution by the Target Company is RMB76.2 million and that by the PRC Subsidiary A is Nil. The PRC Subsidiary A has not generated any revenue as at the Latest Practicable Date. It is expected that the PRC Subsidiary A will start to generate revenue in the year of 2021 as the manufacturing plant of the PRC Subsidiary A is under construction and has not yet come into operation.

Mr. Meng and his spouse, the ultimate owners of the Vendor A, have through their other ultimate owned company ("**Company F**") acquired 63.54% and 36.46% of the Target Equity Interest at the consideration of RMB129,780,000 and RMB62,348,000 respectively from Independent Third Parties in the years of 2012 and 2013.

Company F then transferred 22.53% of the Target Equity Interest to the Vendor B in the year of 2012. After the said transfer, Company F held 77.47% of the Target Equity Interest. The acquisition cost for the Company F to acquire the 77.47% of the Target Equity Interest is approximately RMB148.8 million (i.e. (RMB129,780,000 + RMB62,348,000) x 77.47%). For internal reorganization purpose in 2016, Company F has transferred the said 77.47% of the Target Equity Interest to the Vendor A at nil consideration. As advised by the Vendor A, as the Company F and the Vendor A are both ultimately owned by Mr. Meng and his spouse, the Vendor A has treated the acquisition cost of the Company F as its original acquisition cost incurred by it for the acquisition of 77.47% of Target Equity Interest.

As disclosed above, the original acquisition cost incurred by the Vendor A for the acquisition of 77.47% of Target Equity Interest was approximately RMB148.8 million in the years of 2012 and 2013 from Independent Third Parties. The reason for the difference between the RMB27,889,200, being portion of the Consideration payable to Vendor A, and the original acquisition cost incurred by Vendor A is due to the change in net asset value of the Target Group. The reason for the said change in net asset value is due to loss incurred by the Target Group during the two years ended 31 December 2017 and 31 December 2018. The said loss incurred by the Target Group is due to administrative expenses.

2. EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 60,669,200 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issue of the Consideration Shares assuming there is no change in the issued capital of the Company and all existing convertible bonds issued by the Company remain outstanding; and (iii) immediately following the Completion and assuming all existing convertible bonds issued by the Company having been converted into new shares of the Company:

	(i) As at the Latest Practicable Date		(ii) Immediately upon the allotment and issue of the Consideration Shares assuming there is no change in the issued share capital of the Company and all existing convertible bonds issued by the Company remain outstanding		(iii) Immediately following the Completion and assuming 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						
China Huajun Group Limited	44,450,619	73.27%	44,450,619	72.23%	44,450,619	65.42%
Mr. Meng *(Note 1)*	769,640	1.27%	769,640	1.25%	769,640	1.13%
Sub-total	45,220,259	74.54%	45,220,259	73.48%	45,220,259	66.54%
Vendors						
Vendor B	–	–	873,875	1.42%	873,875	1.28%
Sub-total	45,220,259	74.54%	46,094,134	74.90%	46,094,134	67.83%
Holders of existing convertible bonds *(Note 2)*	–	–	–	–	6,411,764	9.44%
Other public shareholders	15,448,941	25.46%	15,448,941	25.10%	15,448,941	22.73%
	60,669,200	100.00%	61,543,075	100.00%	67,954,839	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 not associates of the Company or Mr. Meng and if the existing convertible bonds are converted, they are public shareholders.

3. MANDATE TO ISSUE THE CONSIDERATION SHARES

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

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

4. REASONS FOR AND BENEFITS OF THE ACQUISITION

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

As disclosed by the Company in its Interim Report 2018, manufacturing and sales of industrial equipment is one type of businesses, which the Company engages in, and is not included in the reportable segments, but is included under the "others segment". To maximise interest for the Company and its Shareholders as a whole, the Company has been looking for opportunities in expanding all its business including the manufacturing and sales of industrial equipment business. The nature of the industrial equipment manufactured by the Company is Torque converter which is different in nature with those manufactured by the Target Company.

The Company noted that the principal business of the Target Company is the manufacture and maintenance of hydraulic machinery and electrical engineering construction, being types of industrial equipment business. Particularly, the Target Company focuses on serving customers who look for speed adjustable hydraulic coupler (調速型液力偶合器), gearbox (傳動裝置) and restrictive rectangular hydraulic coupler (限矩形液力偶合器). The industrial equipment manufactured by the Target Company is intended for sale only and the said usage shall be reviewed by the Company from time to time in view of the business needs of the Company after Completion.

Manufacture of hydraulic machinery, which is a type of industrial equipment, is one of the principal businesses of the Target Company. The Company is also advised by the Vendors that after the issuance of the Central Military Commission ("**CMC**")'s Opinions on Further Reforming National Defence and Military Forces* (中央軍委關於深化國防和軍隊改革的意見) by the CMC of the PRC in January 2016, there is increasing demand for manufacture of industrial equipment related to national defence in the PRC market; and that the Target Company has currently been engaged by a state-owned company for a project of sound-proof joint axial machine* (隔音聯軸器項目). As advised by the Vendors, national defence industries in the PRC such as naval shipbuilding and space aviation have needs for hydraulic machinery and services for repairing of such machinery. As the Target Company is manufacturing hydraulic machinery and also has technology for repairing, it can meet the potential demand from these industries for such products and services and hence has opportunity for potential growth of business in this respect.

The PRC Subsidiary A currently takes part in constructing the manufacturing plant for manufacturing of crystalline silicon, processing of silicon ingot and manufacturing of photovoltaic components. The principal activities of the PRC Subsidiary A are in line with the Company's existing solar photovoltaic products business, and hence considered that the Acquisition is overall in line with the ordinary course of businesses of the Company.

The solar photovoltaic products to be manufactured and sold by the PRC Subsidiary A will be of the same types as those manufactured and sold by the Company. The Company will use the manufacturing plant of the PRC Subsidiary A to manufacture its own solar photovoltaic products.

The Company believed that, given the business model of the Target Group as stated below, the Acquisition can create synergy effect among the Company's existing solar photovoltaic products business and the PRC Subsidiary A's business, including but not limited to specification of work and optimization of manufacturing process and cost structure, as the existing solar photovoltaic products business of the Company and the PRC Subsidiary A may have room for future intergration for matters such as increase in the manufacturing capacity of solar photovoltaic products manufacturing project(s), sharing of skills and knowledge in optimization of manufacturing process and collaboration in reduction of production costs; also with the difference in locations of the PRC Subsidiary A and the existing solar photovoltaic products manufacturing of the Company in Jurong City, Jiangsu Province (江蘇省句容市), the PRC subsidiary A can serve customers in the northern part of China. As such, the Company considered the Acquisition beneficial to the Company's business.

As at the Latest Practicable Date, the Company owns a total of four solar photovoltaic product manufacturing plants. One of the said plants located in Jurong City, Jiangsu Province (江蘇省句容市), the PRC is currently in operation. Three of the said plants located in Changzhou City, Jiangsu Province (江蘇省常州市), the PRC are currently in suspension of production (two suspended from February 2018 and one suspended from July 2018). The reason for the said suspension is due to the Company's (1) proposed relocation of the production facilities from the Changzhou plants to the Jurong plant and (2) plan of potential redevelopment of the lands of the Changzhou plants as research and development and real estate (科研地產) complexes. The said suspension and proposed relocation did not have a material adverse impact on the operation of the Company's solar photovoltaic business.

Furthermore after the completion of the Acquisition, (1) the manufacture of hydraulic machinery products by the Target Company will increase the variety of the industrial equipment products to be manufactured by the enlarged Group as the type of industrial equipment currently manufactured by the Company is mainly Torque converter; and (2) the PRC Subsidiary A when commence operation will in turn increase the solar photovoltaic products manufacturing capacity of the enlarged Group. The Company believes the Target Company will contribute to the Company's manufacturing and sales of industrial equipment business and the PRC Subsidiary A will contribute to the Company's manufacturing and sales of photovoltaic products business.

The Board is not aware of any disadvantage in relation to the Acquisition.

BUSINESS MODEL OF THE TARGET GROUP

The Target Company's principal business is manufacture and maintenance of hydraulic machinery and electrical engineering construction at its manufacture plant located at Property 1 above. After the Target Company has manufactured the product, the Target Company will sell its product to its customers. The Target Company focuses on the customers who look for speed adjustable hydraulic coupler (調速型液力偶合器), gearbox (傳動裝置) and restrictive rectangular hydraulic coupler (限矩形液力偶合器).

The Target Company has approximately 2,922 customers including state-owned enterprises, privately owned enterprises, joint venture enterprises and foreign enterprises. Such customers are sourced from (1) recommendation of its products by design institutes and main machine factories* (主機廠) to end consumers; (2) networking with clients through after-sale services; (3) its salespersons located at different regions of the PRC; and (4) internet marketing. The Target Company has entered into sales contracts/agreements with their respective customers in its ordinary course of business. The key terms of such contracts/agreements generally include specifications of products, quantity, timing of delivery etc..

As disclosed above, the Target Company has currently been engaged for a project of sound-proof joint axial machine* (隔音聯軸器項目). Due to the confidentiality requirement for national defence related project undertaken by the Target Company, details of such project are not disclosed in this circular. The Target Company will continue to engage in existing business, i.e. manufacturing and sale of speed adjustable hydraulic coupler (調速型液力偶合器), gearbox (傳動裝置) and restrictive rectangular hydraulic coupler (限矩形液力偶合器).

The products produced by the Target Company are intended for sale.

The business model of the PRC Subsidiary A comprises the manufacture and sales of solar photovoltaic products to satisfy the demand from their customers. The PRC Subsidiary A currently takes part in constructing the manufacturing plant for manufacturing of crystalline silicon, processing silicon ingot, manufacturing and photovoltaic components.

As disclosed above, as the manufacturing plant of the PRC Subsidiary A is under construction and has not yet come into operation, the PRC Subsidiary A has not yet commenced business. Therefore, it has not entered into any sales contracts/agreements with customers.

The PRC Subsidiary A will engage in manufacturing and sale of solar modules and photovoltaic components.

The business model of the PRC Subsidiary A will be the same as that of the Company's existing solar photovoltaic products business and the details of such business model are sale and manufacturing of solar photovoltaic products, as well as provision of processing services. With the difference in locations of the PRC Subsidiary A and the existing solar photovoltaic products manufacturing of the Company in Jurong City, Jiangsu Province (江蘇省句容市), the PRC subsidiary A can serve customers in northern part of China.

The products produced by the PRC Subsidiary A are intended for sale.

The PRC Subsidiary B is currently inactive.

The PRC Subsidiary B currently has no business.

The Company's business development plan on the Target Company's and PRC Subsidiary A are to maintain the current principal business of the Target Company (i.e. manufacture and maintenance of hydraulic machinery and electrical engineering construction) and that of the PRC Subsidiary A (i.e. manufacture and sale of solar modules and photovoltaic components). The Company will review and make necessary amendments after Completion of the Acquisition. Upon Completion, the Company believes that it does not have any material capital commitment on the Target Group.

INDUSTRY AND MARKET OVERVIEW

Owing to the encouragement of the Central People's Government in development of energy-saving products by industries in the PRC, it is expected that hydraulic products industries which are energy-saving, environment-friendly and of lower setting up and maintenance costs shall have new opportunities to further develop in the PRC market. The principal business of the Target Company is manufacture and maintenance of hydraulic machinery and electrical engineering construction and that of the PRC Subsidiary A is manufacture and sale of solar photovolatic products which are in line with such national policy.

As disclosed in page II-12 of the Letter from the Independent Financial Adviser, hydraulic machinery generally refers to machinery that uses liquid fluid power as the powering medium which is commonly used in hydraulic motors and hydraulic cylinders which are in turn commonly used in heavy equipment, such as concrete mixer and excavator, and various types of high performance engine, such as those used in aircrafts. As such, the Company is of the view that the industrial equipment development and manufacture industry in the PRC, including the hydraulic machinery industry, will experience potential growth.

Further according to the China Market Development Report in Hydraulics and Pneumatics and Seals Industry (2016) published by China Hydraulics Pneumatics and Seals Association* (中國液壓氣動密封件工業協會), the total industry output value of hydraulics (including hydro-dynamics) machinery industry in the PRC in 2016 was approximately RMB 53.5 billion and the growth was approximately 2.6%. According to the statistics of the Professional Sub-Association of Hydraulic Industries* (液力行業專業分會), there was a growth of approximately above 10% in the total profit of the hydraulic machinery industry in the PRC during the period of January 2018 to October 2018 compared with the same period in 2017.

The Target Company's major competitors include but not limited to Guangdong Zhong Xing Ye Li Chuan Dong Company Limited* (廣東中興液力傳動有限公司), Shanghai Jiao Da Nan Yang Technology Company Limited* (上海交大南洋科技有限公司), Dalian Hydraulic Coupler Company Limited* (大連液力偶合器有限公司) and Shenyang Coal Machine Factory* (瀋陽煤機廠).

Owing to the encouragement policies on development of new technology and clean energy of the Central People's Government, Liaoning Provincial Government and Yingkou City Government as set out in policy papers such as State Council's Several Opinions on Full Revitalization of Old Industrial Bases in Northeast Region* (國務院關於全面振興東北地區等老工業基地的若干意見), Liaoning Province's Implementation of Three-year Action Plan of Revitalization of Northeast Technological Transfer Achievement Project 2018-2020* (遼寧省落實振興東北科技成果轉移轉化專項行動實施方案三年行動計劃(2018-2020年)) and Three-year Action Plan of Technological Support for Yingkou Coastal Economic Belt 2018-2020* (科技支持營口沿海經濟帶三年行動計劃(2018-2020年)), it is expected that solar photovoltaic industries shall have new opportunities to further develop in the PRC market.

According to the Results 2017 including Maturity Report 2018 (Ninth Edition, September 2018) published by the International Technology Roadmap for Photovoltaic, high efficiency electric cells such as solar photovoltaic cells are expected to become the mainstream products (i.e. 50% or higher) in the world market by 2020.

The PRC Subsidiary A's major competitors in the solar photovoltaic industry in the PRC include but not limited to Le Ye Photovoltaic Technology Company Limited* (樂葉光伏科技有限公司), Tian He Solar Energy Company Limited* (天合光能股份有限公司) and A Te Si Solar Power Group* (阿特斯陽光電力集團).

EXPERTISE OF THE MANAGEMENT OF THE TARGET GROUP

The Company intends to retain the existing management of the Target Company, including the Vendor B who graduated from the Machinery Department* (機械系) of the Dalian Institute of Engineering* (大連工學院) (currently known as Dalian Polytechnic University* (大連理工大學)) in 1976, joined the Target Company in 1976, is currently the Chairman and General Manager of the Target Company since March 2007 and has had extensive experience in overseeing the business of the Target Company, upon completion of the Acquisition.

Upon completion of the Acquisition, the Company will appoint its management team members from its solar photovoltaic business to operate and manage Subsidiary A, including (1) Mr. Geng Guomin (耿國敏) who is currently the chairman of Huajun Power (China) Group Limited* (華君電力(中國)集團有限公司) and has over ten years of experience in overseeing solar photovoltaic business; and (2) Mr. Li Hongbo* (李紅波) who is currently the chief executive officer of Huajun Power (China) Group Limited* (華君電力(中國)集團有限公司), is holder of a doctorate degree in electronics science and technology from the PRC Science Academy Shanghai Technology and Physics Research Institute* (中國科學院上海技術物理研究所) and has had experience in research, development and marketing of solar cells since 2001.

In view of the above, the Company believes that the Acquisition will provide the opportunity to the Company to further expand its business in manufacturing and sales of industrial equipment with the view to generate more revenue to the Group.

As at the Latest Practicable Date, save and except negotiation with certain parties for possible acquisition of business for the (i) property development and investments; and (ii) manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products, the Company does not intend, or has not entered into or proposed to enter into any agreement, arrangement, undertaking or negotiation (whether formal or informal; express or implied) to acquire new businesses or dispose of or downsize its existing business.

As the Consideration B will be fully satisfied by the issue of the Consideration Shares, the Company will not face any immediate cash outflow for the Consideration B, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate. Furthermore, the Company will broaden its Shareholder base.

The 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 Agreement including the term for issue of the Consideration Shares, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

5. FINANCIAL EFFECT OF THE ACQUISITION

Immediately upon the Completion, the assets of the Group would have increased by approximately RMB362.6 million and the liabilities of the Group would have increased by approximately RMB354.5 million, and the net assets would have increased by approximately RMB8.1 million because of the issue of new Share of the Company for Consideration B of approximately RMB8.1 million. Immediately upon the Completion, the earnings of the Group would not be affected because the Company will consolidate the results of the Target Group after the Completion and expect that the profit or loss (if any) of the Target Group will be consolidated into the earnings of the Company.

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

Date of announcement	Event	Net Proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
26 October 2018	Issue of convertible bonds under specific mandate	Approximately HK$999,400,000	(i) HK$502,140,000 for repayment of borrowings (ii) HK$198,240,000 for payment payable or to be payable for construction costs of existing property projects of the Group (iii) HK$299,020,000 for the Group's investment in and acquisition of assets in the property development and investments and printing sectors that are complementary to the Company's existing principal activities	Not yet utilized as the issue of convertible bonds under specific mandate is subject to Completion after approval of Independent Shareholders on 22 February 2019 (The issue of convertible bonds is expected to be completed on or before 30 June 2019).

7. IMPLICATIONS UNDER THE LISTING RULES

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

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 *(Note (a))*	73.27%
387,351 (L)	Share Options	0.64%

Note:

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

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

As at the Latest Practicable Date, the Vendor A is ultimately wholly owned by Mr. Meng and his spouse, therefore, the Vendor A is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the acquisition of 77.47% of Target Equity Interest owned by the Vendor A constitutes connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. As the relevant percentage ratios for the Acquisition exceeds 5%, the Acquisition constitutes non-exempt connected transaction for the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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

Name of associate of Mr. Meng	Number of Shares
CHG	44,450,619
Madam Bao	0

8. RECOMMENDATION

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

9. SGM

A SGM will be held on Thursday, 11 July 2019 at 3:00 p.m. at Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong, during which resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among other matters, approve the Agreement, the transactions contemplated thereunder and the issue of the Consideration Shares under the Specific Mandate.

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

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

10. ADDITIONAL INFORMATION

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

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

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

HUAJUN INTERNATIONAL GROUP LIMITED
華君國際集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 377)

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

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

24 June 2019

To the Independent Shareholders

Dear Sir or Madam,

THE AGREEMENT AND TRANSACTIONS CONTEMPLATED THEREUNDER

We refer to the circular dated 24 June 2019 of the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalized terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Agreement, the transactions contemplated thereunder and the issuance of the Consideration Shares under the Specific Mandate, and to advise the Independent Shareholders as to whether the terms of the Agreement and the transactions contemplated thereunder, including the issue of Consideration Shares under 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 Agreement, the transactions contemplated thereunder and the issuance of the Consideration Shares under the Specific Mandate are on normal commercial terms or better and in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement, the transactions contemplated thereunder and the issuance of the Consideration Shares under the Specific Mandate.

Yours faithfully,

Zheng Bailin	**Shen Ruolei**	**Pun Chi Ping**
Independent Non-executive Director	*Independent Non-executive Director*	*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

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

24 June 2019

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN DALIAN HYDRAULIC MACHINERY CO., LIMITED* INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, being the Acquisition and the issue of the Consideration Shares under the Specific Mandate (collectively, the "**Transactions**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 24 June 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 6 December 2018 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendors, pursuant to which the Vendors have conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Target Equity Interest at the Consideration of RMB36 million (equivalent to approximately HK$40.68 million). The part of the Consideration payable by the Purchaser to the Vendor A (i.e. the Consideration A) shall be satisfied by cash payment, while that to the Vendor B (i.e. the Consideration B) shall be satisfied by the issue of the Consideration Shares to the Vendor B. The Consideration Shares represent approximately 1.44% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 1.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date, save as the issue of the Consideration Shares).

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

As at the Latest Practicable Date, the Vendor A is ultimately wholly owned by Mr. Meng and his spouse, therefore, the Vendor A is an associate of Mr. Meng and a connected person of the Company under the Listing Rules. Accordingly, the acquisition of 77.47% of the Target Equity Interest owned by the Vendor A constitutes connected transactions of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. As the relevant percentage ratios for the Acquisition exceed 5%, the Acquisition constitutes non-exempt connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

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

We, China AF Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the 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 2018 (the "**Annual Report 2018**") and for the period from 1 April 2018 to 31 December 2018 (the "**Year End Report 2018**"), respectively, the Agreement and other internal documents of the Company relevant to the Transactions, 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, 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; and the appointment as the independent financial adviser to the Company in respect of the connected transaction and the issue of convertible bonds under specific mandate as announced by the Company on 26 October 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 appointments 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; and the 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 the Independent Shareholders, we have taken into consideration of the following principal factors and reasons.

1. Background of the entering into of the Agreement

(a) Information of the Company and the Group

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 is 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 2018:

Table 1: Extracts of consolidated statement of profit or loss of the Group

	For the year ended 31 March	
	2017	**2018**
	RMB'000	*RMB'000*
	(audited)	(audited)
Total revenue	**3,313,992**	**3,921,601**
– Solar photovoltaic products	1,371,321	760,247
– Printing products	544,748	658,104
– Properties	9,607	49,596
– 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	–
Gross profit	**477,310**	**339,798**
Profit/(Loss) before tax	**134,548**	**(925,030)**
Profit/(Loss) for the year	**43,401**	**(928,455)**

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

Subsequent to the reporting date of the Annual Report 2018, the financial year end date of the Company has been changed from 31 March to 31 December in order to align with the Company's financial year end date with that of its principal subsidiaries incorporated in the PRC, which are statutorily required to have a financial year end date at 31 December. Accordingly, the Year End Report 2018 has been prepared covering a period of nine months from 1 April 2018 to 31 December 2018 (the "**9M2018**"), the results of which may not be entirely comparable with those contained in the Annual Report 2018 which covers a period of twelve months.

Set out below is selected information of the Group's consolidated financial results for the 9M2018 as extracted from the Year End Report 2018:

Table 2: Extracts of consolidated statement of profit or loss of the Group

	For the period from 1 April 2018 to 31 December 2018 *RMB'000* (audited)
Total revenue	2,649,485
Sales of:	
– solar photovoltaic products	51,548
– printing products	551,540
– petrochemical products	1,910,464
– properties	77,222
Processing services:	
– solar photovoltaic products	18,393
Finance lease income	953
Interest income from provision of finance	6,590
Rental income from property investments	22,139
Dividend from securities investments	5,081
Others	5,555
Gross profit	83,918
Loss before tax	349,597
Loss for the year	396,111

The Group's revenue for the 9M2018 was approximately RMB2,649.5 million, representing a decrease of approximately 32.44% when compared to that of approximately RMB3,921.6 million for the FY2018. As set out in the Year End Report 2018, the overall decrease in the Group's revenue was primarily due to the decrease in revenue of its solar photovoltaic business which has experienced setting up of new production facilities for manufacturing of solar modules in Jurong, Jiangsu, taking several months for precommercial production testing, and has only contributed revenue since November 2018. In addition, during the 9M2018, the Group has changed its business model from sales of products to provision of processing services to customers, leading to the decrease in gross revenue. Overall, the Group's net loss alleviated from approximately RMB928.5 million for the FY2018 to RMB396.1 million for the 9M2018, representing a decrease of approximately 57.34%.

Table 3: Extracts of consolidated statement of financial position of the Group

	As at 31 March		**As at 31 December**
	2017	**2018**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Current assets	**4,690,893**	**4,985,601**	**8,057,673**
Among which:			
– Bank balances and cash	*172,686*	*255,113*	*701,946*
Current liabilities	**4,863,292**	**5,982,553**	**9,715,215**
Total assets	**11,672,189**	**11,764,556**	**15,762,535**

As depicted in Table 3 above, as at 31 December 2018, the current assets and current liabilities of the Group amounted to approximately RMB8,057.7 million and RMB9,715.2 million, respectively, representing increases of approximately 61.62% and 62.39% when compared with the corresponding figures as at 31 March 2018. The total assets of the Group also increased from approximately RMB11,764.6 million as at 31 March 2018 to RMB15,762.5 million as at 31 December 2018.

(b) Information of the Purchaser

As at the Latest Practicable Date, the Purchaser, Huajun Industrial Park Management (China) Limited* (華君產業園管理(中國)有限公司), is a company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in, among other things, investment holding.

(c) Information of the Vendors

The Vendor A, Liaoning Huajun Equipment Manufacturing Co., Limited* (遼寧華君裝備製造有限公司), is a company established in the PRC with limited liability which is principally engaged in, among other things, research and sales of metal products. As at the Latest Practicable Date, the Vendor A is ultimately wholly owned by Mr. Meng and his spouse, therefore, the Vendor A is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

As advised by himself, the Vendor B, Mr. Cong Liming (叢黎明), is a businessman and citizen in the PRC, and is graduated from the Machinery Department* (機械系) of the Dalian Institute of Engineering* (大連工學院) (currently known as Dalian Polytechnic University* (大連理工大學)) in 1976 and is the Chairman and General Manager of the Target Company since March 2007. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor B is an Independent Third Party.

The Vendor A and the Vendor B are purely shareholders of the Target Company, and apart from that, the Vendor A and the Vendor B do not have any relationship. Apart from Mr. Meng holding 77.47% of the Target Equity Interest through the Vendor A, Mr. Meng does not have any other relationship with the Vendor B.

(d) Information of the Target Company and the Target Group

As set out in the Letter of the Board:

i. the Target Company is a company established in the PRC with limited liability in January 1947 and its principal business is manufacture and maintenance of hydraulic machinery and electrical engineering construction. As at the Latest Practicable Date, the Target Company directly holds all issued share capital of the PRC Subsidiary A, the PRC Subsidiary B and the Dissolved Companies. However, pursuant to the Agreement, the Purchaser will not acquire the Dissolved Companies which all are currently undergoing deregistration process and the Vendors undertake to bear all relevant expenses and fully compensate the Purchaser for the losses or third party claims arising therefrom;

ii. the PRC Subsidiary A is a company established in the PRC with limited liability in July 2016 and its principal business is manufacture and sale of solar photovoltaic products; and

iii. the PRC Subsidiary B is a company established in the PRC with limited liability in October 2017 and its principal business is manufacture and sale of solar photovoltaic power supply supporting aluminum frame and support. However, the PRC Subsidiary B is currently inactive.

The simplified shareholding structure of the Target Group as at the Latest Practicable Date can be referred to the paragraphs headed "Information on the Target Group" in the Letter from the Board. Upon Completion, the Target Group will become the indirectly wholly-owned subsidiaries of the Company and their financial results will be consolidated into the financial results of the Group.

The Target Company owns the Target Land, which is situated at No. 5, Yinghui Road, Ganjingzi District, Dalian, the PRC, with a total site area of approximately 66,684.2 square meters for industrial or non-residential use. Currently, there is a manufacturing plant situated at the Target Land which was used for production of photovoltaic related products. The Target Land is currently subject to mortgage dated 28 June 2017 (i.e. the Mortgage) created in favour of the Shengjing Bank Co., Ltd. Dalian Branch* (盛京銀行股份有限公司大連分行) (i.e. the S Bank) to secure borrowings of the Target Company. The key terms of the Mortgage are as follows:

Security period and loan period:	for the period from 28 June 2017 to 27 June 2019
Land subject to the Mortgage:	portion of the Target Land with a site area of 37,181.52 square meters
Interest rate:	6.65% per annum
Principal amount:	RMB109,500,000
Outstanding amount:	RMB109,500,000

The Target Group also held certain properties in the PRC as at the Latest Practicable Date, details of which can be referred to the paragraphs headed "Asset to be acquired" and "Information on the Target Group" in the Letter from the Board, respectively. Among the properties, there is the Property 2 which is a parcel of land situated at Lot No. D2-44 at Minfu Road East and Guoan Avenue North Coastal Industrial Base, Yingkou, Liaoning Province, PRC, with total site area of approximately 395,725.50 square meters. Currently, there is a manufacture plant under construction on the Property 2.

Property 2 is currently pledged to Yingkou Coastal Bank Limited* (營口沿海銀行股份有限公司) (i.e. the YC Bank) for a banking facility with maximum limit of RMB140,000,000 (i.e. the Yi Xing Loan) of Yi Xing Yong Neng New Energy Investment Company Limited* (宜興永能新能源投資有限公司) (i.e. Yi Xing), a business partner of Mr. Meng and an Independent Third Party of the Company. Based on the result of searches, the ultimate beneficial owners of Yi Xing are Feng Guoliang* (馮國梁), Xia Minglong* (夏明龍), Feng Guodong* (馮國棟), Zuo Anxiang* (左安香) and Yang Yueqiang* (楊月強) who are Independent Third Parties of the Vendor B, the Company, its connected persons (including the Vendor A) and their respective associates. The Company understands from the Vendors that the reason for the Property 2 being pledged for the banking facility of Yi Xing at the material time was due to the business partner relationship between Yi Xing and Mr. Meng. Please refer to the paragraph headed "Asset to be acquired" in the Letter from the Board for further background information in relation to the Yi Xing Loan.

The period of the aforesaid pledge was from 8 November 2016 to 7 November 2017 which is due to be paid but still outstanding because, as advised by the Vendors, Yi Xing has not settled the loan drawn from the said banking facility. The current outstanding amount of the Yi Xing Loan is approximately RMB177.6 million. The YC Bank has sold the loan on 22 February 2018 to Liaoning Rui Shou Yi Shi Ye Company Limited* (遼寧瑞壽義實業有限公司) (i.e. the New Lender), an Independent Third Party of the Company whose ultimate beneficial owner, based on the search result, is Liang Qianqian* (梁倩倩) who is an Independent Third Party of the Vendor B, the Company, its connected persons (including the Vendor A) and their respective associates. If Yi Xing failed to repay the Yin Xing Loan, the PRC Subsidiary A does not have any obligations to repay the Yin Xing Loan, however, the New Lender might take over the Property 2. As at the Latest Practicable Date, as advised by the Vendors, that they have not received any notice from the New Lender of such enforcement action. The transfer of the Yi Xing Loan from the YC Bank to the New Lender does not impose any new obligations to the PRC Subsidiary A in relation to the said loan. The PRC Subsidiary A has provided the Property 2 as security to the YC Bank for repayment obligation of the Loan. The Target Company and/or the PRC Subsidiary A are not guarantors for the Loan. Nonetheless, it is one of the Conditions, namely that the Target Company is the legal and beneficial owner of all its assets free from any encumbrance or third party's right, being Condition (2) for the Completion that the said pledge for the Property 2 shall be released prior to the Completion.

It is also disclosed that the construction permit for the Property 2 is still in the process of application, and according to the legal opinion sought by the Company from its PRC lawyer, the PRC Subsidiary A may be subject to payment of administrative penalty. The Company's PRC lawyer further advised that, based on their understanding, they do not foresee any legal obstacle in obtaining the construction permit. The Company's PRC lawyer estimated the amount of administrative penalty to be in the range of 1% to 10% of the relevant construction contract sum. As provided under the Agreement, the Vendors shall be responsible for any loss arising from the construction of the Property 2 before the obtaining of its construction permit. Further, as advised by the Vendors, the PRC Subsidiary A has not received any notice for payment of administrative penalty and/or imposition of fine from relevant PRC authority(ies).

(e) Reasons for the entering into of the Agreement

Prospect of the hydraulic machinery industry

As stated in the Letter from the Board, to maximize interest for the Company and its Shareholders as a whole, the Company has been looking for opportunities in expanding all its business, including the manufacturing and sales of industrial equipment business in which the Company already engages. The nature of the industrial equipment manufactured by the Company is Torque converter.

We noted that the principal business of the Target Company is the manufacture and maintenance of hydraulic machinery and electrical engineering construction, being types of industrial equipment business. Particularly, the Target Company focuses on serving customers who look for speed adjustable hydraulic coupler (調速型液力偶合器), gearbox (傳動裝置) and restrictive rectangular hydraulic coupler (限矩形液力偶合器). The industrial equipment manufactured by the Target Company is intended for sale only and the said usage shall be reviewed by the Company from time to time in view of the business needs of the Company after the Completion.

Although the types of machinery manufactured by the Target Company are not the same as those industrial equipment manufactured by the Company, we understood that it is also a viable business with various future business opportunities.

It is set out in the Letter from the Board that, owing to the encouragement of the PRC government on the development of energy-saving products by industries in the PRC, it is expected that industries relating to hydraulic products which are energy-saving, environment-friendly and of lower setting up and maintenance costs shall have new opportunities to further develop in the PRC market.

Furthermore, after the issuance of the Central Military Commission (i.e. CMC)'s Opinions on Further Reforming National Defence and Military Forces* (中央軍委關於深化國防和軍隊改革的意見) by the CMC of the PRC in January 2016, there is increasing demand for manufacture of industrial equipment related to national defence in the PRC market. In particular, national defence industries in the PRC such as naval shipbuilding and space aviation typically need hydraulic machinery and repair services of such machinery. The management of the Group believes that the Target Company, which manufactures hydraulic machinery and also has the technology for repairing such machinery, can meet the potential demand for such equipment and services from national defence industries in the PRC and thus can capture opportunity for potential growth in business in this respect. The management of the Group also believes that the Target Company will develop connections with the enterprises in the RPC and eventually generate stable revenue for the Group.

In this relation, for our due diligence purpose and to our best effort, we have searched for and reviewed other relevant news and articles in relation to the development and manufacture of industrial equipment published by the State Administration of Science, Technology and Industry for National Defense of the RRC, including (i) Four Major Measures to Promote the Development of Military-Civilian Integration Industry in Changde City, Hunan Province*（湖南省常德市四大舉措推進軍民融合產業發展）dated 13 February 2019; (ii) "High-Tech Industry" Fills the Gap of China's Super Large-Scale Mixer Technology*（"兵工智造"填補中國超大方量攪拌機技術空白）dated 14 January 2019; and (iii) Issue of the "Measures for the Promotion of the Development of Military and Civilian Integration" in Qingdao Province* （青島發布軍民融合深度發展促進辦法）dated 7 January 2019. From the aforesaid news and articles, we understood that the cooperation between the military and the civilian enterprises regarding development and manufacture of industrial equipment, such as concrete mixer and aircraft engine, is enhancing and there is increasing demand for such industrial equipment in the PRC market.

We further understood that hydraulic machinery, which generally refers to machinery that uses liquid fluid power as the powering medium, is commonly used in hydraulic motors and hydraulic cylinders which are in turn commonly used in heavy equipment, such as concrete mixer and excavator, and various types of high performance engine, such as those used in aircrafts. In this relation, we have studied an article headed "Global Industrial Hydraulic Equipment Market, Forecast to 2023" published by Frost & Sullivan on 11 April 2018 and noted that hydraulic machinery systems have been employed in industrial applications across a number of segments, including but not limited to, machine tools, automotive, aerospace, marine and renewable energy industries. Understanding that Frost & Sullivan is a leading global research and consulting organization with its Hong Kong division participating in many transactions in the listed market operated by the Stock Exchange, we considered the aforesaid published information credible. As such, we concurred with the Vendors' and the Group's management's view that the industrial equipment development and manufacture industry in the PRC, including the hydraulic machinery industry, will experience growth.

On the other hand, we have also confirmed with the Company that the Target Company has already been engaged by a research institute of a state-owned shipbuilding industry corporation in the PRC for a project of sound-proof joint axial machine* (隔音聯軸器項目). It is also set out in the Letter from the Board that the Target Company has approximately 2,922 customers including state-owned enterprises, privately owned enterprises, joint venture enterprises and foreign enterprises. Such customers are generally sourced from (1) recommendation of its products by design institutes and main machine factories* (主機廠) to end consumers; (2) networking with clients through after-sale services; (3) its salespersons located at different regions of the PRC; and (4) internet marketing. The Target Company has entered into sales contracts/agreements with their respective customers in its ordinary course of business. The key terms of such contracts/agreements generally include specifications of products, quantity, timing of delivery etc.. Considering the business opportunities discussed above, and that the Target Company has already secured a project in its ordinary business, we had no reason to doubt the Target Company's ability to capture such opportunities and its growth potential.

Synergy in the solar photovoltaic products business

We also noted that the PRC Subsidiary A currently takes part in constructing the manufacturing plant for manufacturing of crystalline silicon, processing of silicon ingot and manufacturing of photovoltaic components. The solar photovoltaic products to be manufactured and sold by the PRC Subsidiary A will be of the same types as those manufactured and sold by the Company. The Company will use the manufacturing plant of the PRC Subsidiary A to manufacture its own solar photovoltaic products.

We considered that the principal activities of the PRC Subsidiary A are in line with the Company's existing solar photovoltaic products business, and believed that the Acquisition can create synergy effect among the Company's existing solar photovoltaic products business and the PRC Subsidiary A's business. Particularly, as they manufacture and sell the same types of solar photovoltaic products and the Company will use the manufacturing plant of the PRC Subsidiary A to manufacture its own solar photovoltaic products, we concur with the Company's view that there may be room for future integration of their businesses in aspects such as increase in the manufacturing capacity of solar photovoltaic products, skills and costs sharing, customer network diversification and brand coverage expansion. We also consider that there may exist other synergy effect including but not limited to enhancement on production and quality control efficiency through specification of work and optimization of manufacturing process and cost structure.

Experienced expertise to manage the Target Group and the relevant business

As set out in the Letter from the Board, the Company intends to retain the existing management of the Target Company, including the Vendor B who graduated from the Machinery Department* (機械系) of the Dalian Institute of Engineering* (大連工學院) (currently known as Dalian Polytechnic University* (大連理工大學)) in 1976, joined the Target Company in 1976, is currently the Chairman and General Manager of the Target Company since March 2007 and has had extensive experience in overseeing the business of the Target Company, upon completion of the Acquisition.

In addition, upon completion of the Acquisition, the Company will appoint its management team members from its solar photovoltaic business to operate and manage the PRC Subsidiary A, including (1) Mr. Geng Guomin (耿國敏) who is currently the chairman of Huajun Electricity (China) Group Limited* (華君電力(中國)集團有限公司) and has over ten years of experience in overseeing solar photovoltaic business; and (2) Mr. Li Hongbo* (李紅波) who is currently the chief executive officer of Huajun Electricity (China) Group Limited* (華君電力(中國)集團有限公司), is a holder of a doctorate degree in electronics science and technology from the PRC Science Academy Shanghai Technology and Physics Research Institute* (中國科學院上海技術物理研究所) and has had experience in research, development and marketing of solar cells since 2001.

In view of the qualifications and extensive experiences held by the aforesaid expertise who will manage the Target Group and the relevant business upon completion of the Acquisition, we considered that the Company possesses the necessary personnel for this purpose, and thus believed that the Company is able to capture the opportunities to be brought by the Acquisition and expand its business in manufacturing and sales of industrial equipment with the view to generate more revenue to the Group. As such, we considered the Acquisition reasonable and beneficial to the Company's business.

Conclusion of the reasons for the entering into of the Agreement

Having considered the aforementioned factors and reasons, we concurred with the Company's view that the Acquisition is beneficial to the business of the Group, and that the Agreement is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Agreement

Set out below are the principal terms of the Agreement:

Date: 6 December 2018

Parties: The Vendor A;

The Vendor B; and

The Purchaser

(a) Assets to be acquired

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

As at the Latest Practicable Date, the Target Company directly held the entire equity interest in the PRC Subsidiary A, PRC Subsidiary B and the Dissolved Companies.

Pursuant to the Agreement, the Purchaser will not acquire the Dissolved Companies which all are currently undergoing deregistration process and the Vendors undertake to bear all relevant expenses and fully compensate the Purchaser for the losses or third-party claims arising therefrom.

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

As advised by the Vendors, the Target Group also owned the Target Land, which is currently subject to the Mortgage created in favour of the S Bank to secure borrowings of the Target Company, and held certain properties in the PRC as at the Latest Practicable Date. Details of the Target Land, the Mortgage, and the aforesaid properties in the PRC can be referred to the paragraphs headed "Asset to be acquired" and "Information on the Target Group" in the Letter from the Board, respectively.

(b) Consideration and the basis of its determination

The Consideration for the Target Equity Interest shall be in aggregate of RMB36 million (equivalent to approximately HK$40.68 million). Pursuant to the Agreement, the Purchaser shall pay the Consideration to the Vendors in the following proportion on 10 Business Days after the Completion Date:

	Amount of the Consideration	**To be settled by**
Vendor A	RMB27,889,200 (equivalent to approximately HK$31,514,796)	cash
Vendor B	RMB8,110,800 (equivalent to approximately HK$9,165,204)	issue of the Consideration Shares to the Vendor B

As set out in the Letter from the Board, the Consideration was determined with reference to the followings:

The unaudited consolidated net asset value of the Target Group

The Consideration was determined by the Purchaser and the Vendors after arm's length negotiations with reference to the unaudited consolidated net asset value of the Target Group as at 31 October 2018.

As set out in the Letter from the Board, based on the unaudited combined management accounts of the Target Group provided by the Vendors, the unaudited net asset value and total asset value of the Target Group as at 31 October 2018 were approximately RMB36.0 million and approximately RMB390.5 million, respectively. The unaudited net asset value of the Target Group of RMB36 million as at 31 October 2018 does not include the net asset value of the Dissolved Companies.

The valuation of the property interests held by the Target Group

We also understand that in determination of the Consideration, the Company has also taken into account the Valuation Report of the property interests held by the Target Group at that material time. We did not notice any material difference between the preliminary valuation and the final valuation report.

We have enquired on and reviewed matters in relation to the Valuation Report of the Target Land, properties and the Independent Valuer who prepared the Valuation Report. We understand that the professional responsible for signing off the Valuation Report has over 20 years' experience in the valuation of real properties in locations including but not limited to Hong Kong, Macau and mainland China, and possesses relevant qualification, details of which are set out in page III-11 of the Circular. As such, we agree that the Independent Valuer possesses the competency to provide its professional service to carry out the valuation of the Target Land, properties held by the Target Company. Having also reviewed the scope of work in the engagement letters of the Independent Valuer, we are satisfied that the scope of work is sufficient and appropriate for the Acquisition.

On the other hand, it is set out in the Circular that as at the Latest Practicable Date, the Independent Valuer has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group. We have also reviewed the Independent Valuer's terms of engagement (including its scope of work) and were not aware of any irregularities during our discussion with the Independent Valuer or in our review of its independence. As a result, we also agree that the Independent Valuer possesses the independence to provide its professional service in relation to the Valuation Report.

We have then enquired with the Independent Valuer and understand that there are two valuation bases adopted by the Independent Valuer, namely, market value basis and valuation bases other than market value. The Independent Valuer, having considered the inherent characteristics of each of the properties, that is, whether the property can be freely transferred in the market, has classified the properties valued into two categories of basis of valuation, namely, Category A (i.e. Property 1, Property 2 and Property 3 as listed in page III-12 of the Valuation Report in Appendix III of the Circular) – Market Value Basis and Category B (i.e. Property 4 as listed in page III-13 of the Valuation Report in Appendix III of the Circular) – Non-market Value Basis (Investment Value). As set out in the Valuation Report, as at 30 April 2019, the properties in the Category A carried an amount of valuation in its existing state attributable to the Target Group of RMB194 million, while the property in the Category B carried such amount of RMB61.7 million. As Category A and Category B are two different kind of basis of value, one should note that their value should not be reported in a total amount.

Regarding the valuation method of Property 1 in Category A, we have confirmed with the Independent Valuer and understand that (i) since there is no readily identifiable transaction for an entire manufacturing plant similar to the property, sales comparison approach is impracticable; (ii) as the properties are not subject to any tenancy agreement nor classified as investment properties, the income approach is not considered; and (iii) having considered the general and inherent characteristics of Property 1, the Independent Valuer have adopted the depreciated replacement cost ("**DRC**") approach. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. Understanding that the Property 1 in Category A are owner-occupied specialised properties where it is impracticable to identify the market value by the sales comparison approach, we concur with the Independent Valuer that the DRC approach is the most appropriate approach. We have further enquired with the Independent Valuer and understood that when estimating the replacement cost, which according to our study is generally understood as the cost one has to bear replacing an asset to provide the same economic benefits in pursuing business objectives under the asset's normal conditions, of the Property 1 in Category A under the DRC approach, they have made reference to (i) the unit costs stated in the construction contracts of the Property 1 in Category A at the material time, which is averaged at approximately RMB1,200 per square metre, (ii) various market research reports in respect of the construction industry in the PRC, including a series of PRC construction procurement and cost intelligence reports issued quarterly by an international firm of construction cost consultancies and strategic advisors (the "**Firm**"), which generally suggested that the construction costs level in the PRC is experiencing steady growth; and (iii) the units costs stated in other construction contracts of similar properties which ranged from approximately RMB1,140.5 per square metre to RMB2,671.1 per square metre, that the Independent Valuer has been able to identify on the market. Taking into account all of the above, the Independent Valuer adopted an average replacement cost of approximately RMB1,880 per square metre when determining the valuation of the Property 1. We have obtained the construction contracts of the Property 1, those of similar properties that the Independent Valuer has been able to identify and the market research reports, and have verified the aforesaid information and figures regarding the unit costs. Based on the above, the replacement cost adopted in the Valuation Report is within range of those of the market comparables identified by the Independent Valuer and agreeing that the unit costs of the Property 1 at the material time of construction fairly represent the aforesaid general understanding of the term "replacement cost", we consider the basis of their estimation fair and reasonable.

In valuing the Property 2 and Property 3, the Independent Valuer has adopted the Sales Comparison Approach. The Sales Comparison Approach considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility. According to the Independent Valuer, the Sales Comparison Approach is considered the best approach if there is readily identifiable transaction for properties with similar nature. We have also studied various valuation reports which have been included in circulars recently issued by listed issuers in respect of property transactions in both Hong Kong and the PRC on the Stock Exchange, and noted that most of them have also adopted the Sales Comparison Approach (sometimes named as the Market Approach) when valuing the respective properties. As such, we consider it appropriate for the Independent Valuer to adopt the Sales Comparison Approach in valuing the Property 2 and Property 3.

We have further studied the sales comparables used by the Independent Valuer in valuing the Property 2 and Property 3. According to the Independent Valuer, in valuing the Property 2 which is an industrial land in nature, sales comparables of land which are also of industrial usage in the same district, i.e. Yingkou city, were identified and referenced to. The average of the adjusted sale prices per square metre of these sales comparables, being approximately RMB184.0 per square metre, is then used to determine the value of the Property 2. We consider the selection of the sales comparables of the Property 2, which are lands of similar usage in the same district, as well as the adoption of the average of the adjusted sale price of these sales comparables in determining the value of the Property 2 which we believe to reflect the market value of the Property 2, fair and reasonable.

On the other hand, in valuing the Property 3 which is a residential property, sales comparables of residential units in the same district, i.e. the Chaoyang District in Beijing, were identified by the Independent Valuer and referenced to. The average of the adjusted sale prices per square metre of these sales comparables, being approximately RMB69,000.0 per square metre, is then used to determine the value of the Property 3. As the selection of the sales comparables of the Property 3 is also based on properties with similar characteristics to the Property 3, and that the average sale price of these sales comparables has been used in determining the value of the Property 3 which we believe to reflect the market value of it, we also consider them fair and reasonable.

As for the valuation method of the property in category B (i.e. the Property 4), we understand that the Property 4 will be resumed by the local Government. Transferability of the Property 4 will be restricted and therefore the Property 4 will not be marketable. Accordingly, the Independent Valuer has adopted the investment value basis for the valuation of the Property 4. Having considered the reason for the Independent Valuer choosing such investment value basis for the valuation of the Property 4, which is the restricted titles and transferability of the Property 4, we concur that the investment value approach is the most appropriate approach.

We have reviewed, and understand that the Board has also assessed, the valuation method and the key assumptions adopted in the Valuation Report, details of which can be referred thereto. We noted that (i) the assumptions on which the valuation of the properties in Category A is based can be generalised as, as at the Valuation Date, the legally interested party having absolute title and rights to the relevant property interests during the respective terms; and (ii) the valuation of the property in Category B is also based on similar assumption that, as at the Valuation Date, the legally interested party maintained its title to use the property till the expiration of the allowable term. We have then taken into account that, according to the respective legal opinions prepared by the Group's PRC legal advisor, the Target Group indeed possesses the titles and/or rights to the properties in both Category A and Category B, and hence we considered that it is reasonable for the Independent Valuer to make the aforesaid assumptions in preparation of the Valuation Report. Based on all the above, we concur with the Board's view that the valuation method and the key assumptions adopted in the Valuation Report are fair and reasonable valuation method and key assumptions adopted by professional valuer.

Conclusion of the basis of determining the Consideration

Having considered that (i) the Consideration is equivalent to the unaudited net asset value of the Target Group as at 31 October 2018; and (ii) the Board has also taken into account the Valuation Report and assessed the valuation method and the key assumptions adopted therein, we are of the view that the basis of determining the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(c) Settlement method of the Consideration

As mentioned at the beginning of this letter, The Consideration A shall be satisfied by cash payment, while the Consideration B shall be satisfied by the issue of the Consideration Shares to the Vendor B.

As set out in the Letter from the Board, when determining the settlement methods of the Consideration A, the Board has primarily considered that if the Company elected to settle the Consideration A by issue of new Shares to the Vendor A, the immediate dilution effect on the shareholding of the existing Shareholders of the Company may be comparatively great. Furthermore, Mr. Meng's interests in the issued share capital of the Company would exceed 75% of the total issued shares of the Company. In such case, the Company might breach rule 8.08 of the Listing Rules in future. We concurred with such view of the Board, and further consider that (i) no equity means is suitable for settling the Consideration A because of the same reason; and (ii) excluding equity means, immediate cash payment represents the most cost-saving method because minimal extra expenses, such as interests and handling charges, will be incurred in this regard.

As such, we consider that the settlement method of the Consideration A is fair and reasonable so far as the Independent Shareholders are concerned. In addition, we have (i) taken into account the bank balances and cash of the Company as at 31 December 2018 of approximately HK$701.9 million, which is significantly higher than the Consideration A, as set out in its annual results announcement for the nine months ended 31 December 2018 published on 14 May 2019; and (ii) confirmed with the Company that its has reserved sufficient bank balances and cash for the settlement of the Consideration A. As such, we consider that the Company has sufficient bank balances and cash to settle the Consideration A.

Alternatively, when determining the settlement methods of the Consideration B, the Board has primarily considered that although the issue of the Consideration Shares to the Vendor B will also have immediate dilution effect on the shareholding of the existing Shareholders of the Company, the Company can reserve more cash for its operation and broaden its Shareholder base and capital base at the same time. Considering it is beneficial for the Company to maintain a higher level of working capital due to its significant operating expenses, we also concurred with such view of the Board, and consider that the settlement method of the Consideration B is also fair and reasonable so far as the Independent Shareholders are concerned.

Pursuant to the Agreement, the Vendor B and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK$1.13. Accordingly, 873,875 new Shares will be allotted and issued by the Company to the Vendor B at the Issue Price for settling of the Consideration B, subject to the Completion.

The Vendor B waived receipt of any balance of the Consideration B arising from the issue of the Consideration Shares.

(d) The Consideration Shares and the Issue Price

The Consideration Shares represent approximately 1.44% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 1.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the Completion Date, save as the issue of the Consideration Shares).

The Consideration Shares will be allotted and issued at the Issue Price of HK$10.488 per Consideration Share, which represents:

i. a discount of approximately 2.71% to the closing price of HK$10.78 per Share as quoted on the Stock Exchange on Last Trading Date;

ii. the same as the average closing price of HK$10.488 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to and including the Last Trading Date;

iii. a discount of approximately 1.67% to the average closing price of HK$10.666 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Date;

iv. a discount of approximately 75.81% to the audited net asset value of HK$43.36 per Share of the Company as at 31 December 2018 (based on the then total 60,669,200 issued Shares as at 31 December 2018); and

v. a premium of approximately 4.88% over the closing price of HK$10.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out in the Letter from the Board, the Issue Price was determined after arm's length negotiation between the Purchaser and the Vendor B, with reference to the prevailing market price of the Shares and the average closing price of the Shares as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Agreement.

The Board noted that the Issue Price represents a discount of approximately 75.81% to the audited net asset value of approximately HK$43.36 per Share of the Company as at 31 December 2018. The Board further noted that during the period from 1 June 2018 (about six months prior to the Last Trading Date) up to the Last Trading Date, the Shares had been consistently traded at a discount to the net asset value per Share, ranging from approximately 9.8% to 79.2%, with an average of approximately 47.5%. Accordingly, the Board considers that it would be more appropriate to determine the Issue 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 make reference to the net asset value per Share.

Analysis on the Issue Price

In considering the fairness and reasonableness of the Issue 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 6 December 2017 (being one year prior to the date of the Agreement) up to and including the Latest Practicable Date (the "**Review Period**"). We consider the sampling period of over 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 Issue Price.

Chart 1: Recent performance of the Shares

As shown on the above chart, price of the Shares reached their peak during the Review Period of HK$58.00 per Share on 15 February 2018. Regarding this increase in the price of the Share, we have enquired with the Directors and they are unaware of any specific reason for the increase. Subsequently, the share price started to decline on the same trading day and formed a general decreasing trend. At 28 November 2018, the price of the Shares reached their bottom during the Review Period of HK$9.9 per share. The daily closing price of the Shares during the Review Period ranged from HK$9.9 per Share to HK$58.00 per Share, with an average daily closing price of HK$26.9 per Share.

Although the Issue Price is at a discount of approximately 2.71% to the closing price of the Shares as at the Last Trading Date and a discount of approximately 1.67% to the average closing price of the Shares for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Date, having considered that (i) the aforesaid discounts are not significant; and (ii) the Issue Price is equal to the average closing price of the Shares for the last five (5) consecutive trading days immediately prior to and including the Last Trading Date, we concur with the Board that the Issue Price was determined with reference to the prevailing market price of the Shares and that it is fair and reasonable.

(b) Issue Price to the audited net asset value per Share

We have also noted that the Issue Price represents a discount of approximately 75.81% to the audited net asset value of approximately HK$43.36 per Share of the Company as at 31 December 2018. But having considered that (i) the Board has taken into account that during the period from 1 June 2018 (about six months prior to the Last Trading Day) up to the Last Trading Day, the Shares had been consistently traded at a discount to the net asset value per Share, ranging from approximately 9.8% to 79.2%; and (ii) the Issue Price is equal to the average closing price of HK$10.488 per Share as quoted on the Stock Exchange for the last five consecutive trading days, which we consider to truly reflect the marketable value of the Shares, we concur with the Directors that the Issue Price is set at an acceptable level.

(c) 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 at month end	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 *(Note 1)*	Percentage of average daily trading volume of Shares to the total issued Shares *(Note 2)*
2017					
December (From 6 December 2017)	6,066,920,085	517,155	16	32,322	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	60,669,200 *(Note 3)*	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	74,240	22	3,375	0.0056%
February	60,669,200	32,800	17	1,929	0.0032%
March	60,669,200	26,040	21	1,240	0.0020%
April	60,669,200	Nil	Nil	Nil	Nil
May	60,669,200	320	14	23	0.0000%
June (up to the Latest Practicable Date)	60,669,200	680	10	68	0.0001%
Minimum				**23**	**0.0000%**
Maximum				**63,613**	**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 23 and 63,613, representing approximately 0.0000% to 0.1049% of the number of total issued Shares, respectively, the trading of the Shares was 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.

(d) Market comparable analysis

We have conducted comparable analysis through identifying transactions announced by the companies listed on the Stock Exchange which involved placing/subscription/issue of shares under specific mandate to satisfy part or all of the consideration of the acquisition in related to connected transactions announced from 1 June 2018 up to the 6 December 2018, being a period of approximately six months. To the best of our knowledge and as far as we are aware of, we have identified 15 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 as a part or all of the consideration of the acquisition in related to connected transactions, which is identical to the way the Consideration Shares 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 shares 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	Company name	Stock code	Premium/ (Discount) of the issue price over/ to the closing price on the respective last trading day (approximate) *(Note 1)*	Premium/ (Discount) of the issue price over/ to the average closing price for the respective last five trading day (approximate) *(Note 1)*
2018/11/29	China New City Commercial Development Ltd.	1321	123% *(Note 2)*	113% *(Note 2)*
2018/11/28	Shougang Concord International Enterprises Company Ltd.	697	42.05%	45.86%
2018/11/19	Birmingham Sports Holdings Ltd.	2309	(6.20%)	(7.90%)
2018/11/8	Tongda Croup Holdings Ltd.	698	30.08%	22.89%
2018/10/25	HKBN Ltd.	1310	(5.38%)	(5.92%)
2018/9/28	V1 Group Ltd.	82	(19.80%)	(13.70%)
2018/9/27	Echo International Holdings Group Ltd.	8218	(3.74%)	(4.86%)
2018/9/2	HMV Digital China Group Ltd.	8078	(4.61%)	(5.35%)
2018/8/30	International Elite Ltd.	1328	(33.30%)	(23.00%)
2018/7/25	Jiayuan International Group Ltd.	2768	(3.54%)	(5.79%)
2018/7/23	China Zenith Chemical Group Ltd.	362	(10.30%)	1.56%
2018/7/16	ENN Energy Holdings Ltd.	2688	(1.23%)	4.49%
2018/7/12	Madison Holdings Group Ltd.	8057	0%	(0.97%)
2018/7/11	China Grand Pharmaceutical and Healthcare Holdings Ltd.	512	(33.80%)	(33%)
2018/6/22	Inspur International Ltd.	596	(2.93%)	2.21%
		Maximum	42.05%	45.86%
		Minimum	(33.80%)	(23.00%)
		Average	(3.76%)	(1.68%)
		Median	(4.18%)	(5.11%)
	The issue of the Consideration Shares		(2.71%)	0%

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. The premiums of the issue price per consideration share of China New City Commercial Development Limited are excluded from the calculations as they appear to be extreme outlier as compared to the rest of the Comparable Issues, which may distort the result of our analysis

As demonstrated in the above table, we noted that the premium/(discount) of the issue 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 33.80% to a premium of approximately 42.05%. The average and median of the same pool of data are at a discount of approximately 3.76% and 4.18%, respectively. The Issue Price, which represented a discount of approximately 2.71% to the closing price of HK$10.78 per Share as quoted on the Stock Exchange on the Last Trading Date, falls within the range and represents a lower discount than the average and the median discount of the Comparable Issues.

For the premium/(discount) of the issue 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 23% to a premium of approximately 45.86%. The average and median of the same pool of data are at a discount of approximately 1.68% and 5.11%, respectively. The Issue Price, which equals the average closing price of approximately HK$10.488 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date, also falls within the range and does not represent a discount in contrast with the average and the median discount of the Comparable Issues.

(e) Other financing alternatives

As stated in the Letter from the Board, the Consideration B will be fully satisfied by the issue of the Consideration Shares, the Company will not face any immediate nor future cash outflow for the Consideration B, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate. Furthermore, the Company will broaden its Shareholder base. Comparing to other financing alternatives such as obtaining bank borrowings or the issue of loans or convertible bonds to settle the Consideration B, having taken into account that (i) if the Company seeks to settle the Consideration B by the means of bank borrowings, loans and issue of convertible bonds, repayments will be required under bank borrowings and loans and may be required under convertible bonds eventually, but there will not be cash outflow under the issue of the

Consideration Shares; (ii) bank borrowings, loans and the issue of convertible bonds will all inevitably increase the interest expenses and gearing ratio of the Group; and (iii) debt financing usually requires pledge of assets by the borrower, we consider that bank borrowings, loans and issue of convertible bonds might not be an appropriate alternative to settle the Consideration B. Based on the foregoing, we concur with the Directors that the issue of the Consideration Shares is a more desirable solution for the Group to settle the Consideration B.

Having considered that (i) the daily closing price of the Share demonstrated a sliding trend in general during the Review Period; (ii) the Issue Price represents a discount of approximately 2.71% to the closing price of the Shares on the Last Trading Date, which falls within the range and is less than the average and median discount of the Comparable Issues; (iii) the Issue Price equals the average closing price of approximately HK$10.488 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the Last Trading Date, which falls within the range and is also more favourble to the Group than the average and the median discount of the Comparable Issues; (iv) the business synergy arising from the Acquisition; and (v) the Company will not face any immediate cash outflow for settling the Consideration B by the issue of the Consideration Shares, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities. Accordingly, we consider the Issue Price fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

3. Dilution effects on the shareholding structure of the Company

As at the Latest Practicable Date, the Company has 60,669,200 Shares in issue. Assuming there are no other changes to the issued share capital of the Company, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the allotment and issue of the Consideration Shares assuming there is no change in the issued capital of the Company and all existing convertible bonds issued by the Company remain outstanding; and (iii) immediately following the Completion and assuming all existing convertible bonds issued by the Company having been converted into new shares of the Company:

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

	(i) As at the Latest Practicable Date		(ii) Immediately upon the allotment and issue of the Consideration Shares assuming there is no change in the issued share capital of the Company and all existing convertible bonds issued by the Company remain outstanding		(iii) Immediately following the Completion and assuming 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						
China Huajun Group Limited	44,450,619	73.27%	44,450,619	72.23%	44,450,619	65.42%
Mr. Meng *(Note 1)*	769,640	1.27%	769,640	1.25%	769,640	1.13%
Sub-total	45,220,259	74.54%	45,220,259	73.48%	45,220,259	66.54%
Vendors						
Vendor B	–	–	873,875	1.42%	873,875	1.28%
Sub-total	45,220,259	74.54%	46,094,134	74.90%	46,094,134	67.83%
Holders of existing convertible bonds *(Note 2)*	–	–	–	–	6,411,764	9.44%
Other public shareholders	15,448,941	25.46%	15,448,941	25.10%	15,448,941	22.73%
	60,669,200	100.00%	61,543,075	100.00%	67,954,839	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 not associates of the Company or Mr. Meng and if the existing convertible bonds are converted, they are public shareholders.

We noted that the shareholding of the existing public Shareholders would decrease from approximately 25.46% to 25.10% immediately after the Completion of the issue of the Consideration Shares, representing a dilution of approximately 0.36%. Despite the issue of Consideration Shares will incur dilution effect on the shareholding of the existing Shareholders, taking into account the Consideration Shares, when allotted and issued, 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 to be acceptable.

RECOMMENDATIONS

Having considered the factors and reasons as mentioned above, we are of the view that terms of the Agreement are on normal commercial terms and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Company. Furthermore, we are of the view that the Agreement and the issue of Consideration Shares under the 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 and issue of the Consideration Shares under the Specific Mandate.

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

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

The following is the valuation report, prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 30 April 2019 of the property interests held by the Target Group.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

*The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2017 ("**IVS**") and published by the International Valuation Standards Council. The standards entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.*

17th Floor
Champion Building
287 – 291 Des Voeux Road Central
Hong Kong

24 June 2019

The Board of Directors
Huajun International Group Limited
36th Floor, Champion Tower
No. 3 Garden Road
Central
Hong Kong

Dear Sirs,

In accordance with the instructions given to us by the present management of Huajun International Group Limited (hereinafter referred to as the "**Instructing Party**") to conduct an agreed-upon procedures valuation of the designated real properties (same as the word "**properties**" in this report) which are proposed to be acquired by Huajun International Group Limited (hereinafter referred to as the "**Company**") and its subsidiaries (collectively, together with the Company hereinafter referred to as the

"**Group**") in the People's Republic of China (hereinafter referred to as the "**PRC**" or "**China**"), we confirm that we have followed the agreed upon procedures to conduct inspection, to make relevant enquiries and investigation as we consider necessary to support our working, and to perform an independent valuation of the properties by using the most appropriate method as at 30 April 2019 (hereinafter referred to as the "**Valuation Date**") for the Instructing Party's internal management reference purpose. The properties are held by 大連液力機械有限公司 Dalian Hydraulic Machinery Co., Limited (hereinafter referred to as the "**Target Company**") which is 77.47% held by Liaoning Huajun Equipment Manufacturing Co., Limited (遼寧華君裝備製造有限公司) and 22.53% held by Mr. Cong Liming and its subsidiaries (hereinafter together with the Target Company referred to as the "**Target Group**"). We are given to understand that this valuation report to this circular is for the Company's shareholders' reference purpose. This valuation report comprises the text section, summary of values section and property particulars with values section.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of values of the properties are documented in this valuation report and submitted to the Instructing Party at today's date.

According to the IVS, there are two valuation bases, namely, market value basis and valuation bases other than market value. In this engagement, having considered the inherent characteristics of each of the properties, that is, whether the property can be freely transferred in the market, we have classified the properties valued into two categories of basis of valuation, namely, Category A — Market Value Basis and Category B — Non-market Value Basis (Investment Value).

VALUATION OF PROPERTIES IN CATEGORY A

Basis of Value and Assumptions

The term "Market Value" is defined by the IVS as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, our valuations of the properties have been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in each of the properties has absolute title to its relevant property interests;

2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;

3. the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;

4. each of the properties has obtained relevant government's approval for the sale of the property and is able to be disposed of and transferred it free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. each of the properties can be freely disposed and transferred free of all encumbrances at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value(s) as reported.

Approach to Value

In assessing the market value of a property on an absolute title basis, according to IVS, there are three principal valuation approaches, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach. The Sales Comparison Approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. However, for valuing Property No. 1, there is no readily identifiable transaction for whole manufacturing plant similar as the property, Sales Comparison Approach is impracticable. The Income Approach provides an indication of value by converting future cash flow to a single current value. As the properties are not subject to any tenancy agreement nor classified as investment properties, the Income Approach is not considered.

Having considered the general and inherent characteristics of Property No. 1, we have adopted the depreciated replacement cost ("**DRC**") approach in valuing the property. The DRC approach is a procedural valuation approach and is an application of the Cost Approach in valuing specialised properties like the property The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use right of the property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

There is no readily available comparable transactions and listing information of whole manufacturing plant similar as Property No.1 and for owner-occupied specialised properties where it is impracticable to identify the market value by the Sales Comparison Approach, the DRC approach is considered as the most appropriate approach. The underlying theory of this approach is the market value of the valued property should, at least, be equivalent to the replacement cost of the remaining service potential of the valued property i.e. the DRC of the valued property. In our opinion, the estimated DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The valuation of the property is on the assumption that the property is subject to the adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the building, the estimated gross replacement cost of the building should take into consideration everything which is necessary to complete the construction from a new green field site to provide building as it is, as at the valuation date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect building in the future but have the building available for occupation at the valuation date, the work having commenced at the appropriate time.

Having considered the general and inherent characteristics of Properties Nos. 2 and 3, and the relevant market transactions/listings information available, we have adopted the Sales Comparison Approach in valuing the properties. The Sales Comparison Approach considers the sales, listing or offerings of similar or substitute properties and related market data to establish a value estimate by processes involving comparison. The underlying assumption of this approach is that an investor will pay no more for a property than he or she would have to pay for a similar property of comparable utility. Sales Comparison Approach is considered as the best approach if there is readily identifiable transaction for properties with similar nature.

We need to state that our opinion of value of each of the properties is not necessarily intended to represent the amount that might be realised from disposition of its land use rights or various buildings on piecemeal basis in the open market.

In valuing each of the properties in this group, we have not carried out a valuation on possible alternative development basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

ASSESSMENT OF INVESTMENT VALUE OF PROPERTY IN CATEGORY B WITH RESTRICTED TITLES

In assessing the value of the property in this category, we have attributed no commercial value to this property as transferability of the property is restricted because it is not allowed. However, at the instruction of the Instructing Party, for the purpose of this engagement, we reported the value to the owner of the property in its existing states in the report.

According to the IVS, it considered that investment value is an entity-specific basis of value, and the value reflects the circumstances and financial objectives of the entity to which the valuation is being prepared, and regarded as a going concern value. Under the context of investment value, it is the value of an asset to a particular owner for operation objective.

The investment value also reflects the benefits received by an entity from holding the property (such as rental income) and therefore, does not necessarily involve a hypothetical exchange. Thus, a property, which has no commercial value due to restrictions to dispose the property on stand-alone basis in the open market, does not necessarily represent it has no value contribution to its holding company.

Through a transaction of the shares of the holding company (a part of or the whole of) of which the property forms part of the company's assets in the balance sheet, the property could contribute to the business enterprise value of the company, and that is a value to the owner. In other words, through exchange of the shares of the holding company on going concern basis, the property could be exchanged as part of the assets of the company. Differences between the value of a property and its stand-alone market value provide the motivation for buyers and sellers to enter the marketplace by eliminating the restrictions, say, to pay the premium or to comply some legal procedures imposed by the law court.

Unless otherwise stated, the investment value of the property has been made on the assumption, that, as at the Valuation Date, the legally interested party in the property maintained its title to use the property till the expiration of the allowable term, and that the terms and conditions would remain unchanged during the residual land use term.

We need to state that the reported value of the property is not intended to represent the amounts that might be realised from disposition of the property on piecemeal basis in the open market. Reader or interested party in the property is reminded to seek their own legal opinion on the transferability of each of the properties before entering any commercial decision with regard to the property. Should any of the above not be the case, it will have adverse impact to the value(s) reported.

MATTERS THAT MIGHT AFFECT THE VALUE(S) REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuation accordingly.

Unless otherwise stated, no allowance has been made in our valuation for any charges, mortgages, outstanding premium, idle land penalties or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale of each of the properties in Category A. It is further assumed that each of the properties in Category A is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, in our valuation, we have assumed that each of the properties in Category A is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

Unless otherwise stated, as at the Latest Practicable Date of this circular, we are unable to identify any adverse news against any of the properties which may affect the reported findings or value(s) in our work product. Thus, we are not in the position to report and comment on its impact (if any) on each of the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or value(s) reported herein.

ESTABLISHMENT OF TITLES

Based on the purpose of this engagement and the market value basis of valuation, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party i.e. the Target Group in each of the properties has free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the property at its existing use (in this instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances or any premiums payable have already been paid in full or outstanding procedures have been completed. Our agreed procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained each of the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal adviser to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the properties.

We have been provided with copies of the title documents of the properties. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the properties that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties in China. However, we have complied with the requirements as stated in the Listing Rules (as defined in the circular) and relied solely on the copies of document and the copy of the PRC legal opinions provided by the Instructing Party with regard to the legal titles of the properties. We are given to understand that the PRC legal opinions were prepared by the Group's PRC legal adviser, in June 2019. No responsibility or liability from our part is assumed in relation to those legal opinions.

By referencing to the legal opinions, we understand that the legally interested party in each of the properties has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue its titles in each of the properties. Should this not be the case, it will affect our findings and conclusions in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS

The properties were last inspected by Mr. Ye Junhong (a graduate surveyor) in November 2018 and January 2019. We have made reference to the latest information provided by the Instructing Party or the appointed personnel of the Company, and inspected the properties under the companion of staffs of the Group. In our inspections, we have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the properties which covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work product should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in each of the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have also assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques. If the Instructing Party or any party interested in the properties wants to satisfy themselves for the condition of the properties, they should obtain a surveyor's detailed inspection and report of their own.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value(s) now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our work, we have been provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our agreed procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Group.

We have relied solely on the information provided by the appointed personnel of the Group or the Instructing Party without further verification, and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

Our valuation has been made only based on the advice and information made available to us. While a limited scope of general inquiries have been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

The scope of our work has been determined by reference to the properties list provided by the Instructing Party. All properties on the list have been included in our report. The Instructing Party has confirmed to us that the Target Group has no property interest other than those specified on the list supplied to us.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our agreed procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Group or the Instructing Party in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Group or the Instructing Party. Also, we have sought and received confirmation from the appointed personnel of the Group or the Instructing Party that no materials factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Group or the Instructing Party of material and latent facts that may affect our work.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Group or the Instructing Party. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("**RMB**").

OPINION OF VALUE

Based on the above information and assumptions, we are of the opinion that the Market Value of the properties in Category A held by the Target Group for the internal management reference purpose of the Instructing Party as at the Valuation Date in its existing states assuming free of all encumbrances, was in the order of **RENMINBI ONE HUNDRED NINETY FOUR MILLION YUAN ONLY (RMB194,000,000)**.

Based on the above information and assumptions, we are of the opinion that the amount of valuation of the property in Category B held by the Target Group for the internal management reference purpose of the Instructing Party as at the Valuation Date in its existing states assuming free of all encumbrances, was in the order of **RENMINBI SIXTY ONE MILLION AND SEVEN HUNDRED THOUSAND YUAN ONLY (RMB61,700,000)**.

LIMITING CONDITIONS

Our findings or values of the properties in this report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt, our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Company would indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, wilful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the reporting requirements contained in Chapter 5 of the Listing Rules as well as the reporting guidelines contained in the IVS. The valuation has been undertaken by us, acting as external valuer, for the purpose of the valuation.

We retain a copy of this report together with the data and documents provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us in writing. Moreover, we will add the Company's information into our client list for our future reference.

The analysis and valuation of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interests in the properties, the Target Group, the Group or the values reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS (GP)*
Executive Director

Contributing Valuer:
Edward Ye Junhong *B.Sc. M.Sc.*

*Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The Hong Kong Institute of Surveyors ("**The HKIS**") and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.*

SUMMARY OF VALUES

Category A – Properties held by the Target Group under long-term title certificates in the PRC and valued on market value basis

	Property	Interest of the Target Group	Amount of valuation in its existing state attributable to the Target Group as at 30 April 2019
			RMB
1.	A manufacture plant located at Nos. 5-1, 5-2, 5-3, 5-4, 5-5 and 5-6 Yinghui Road Ganjingzi District Dalian City Liaoning Province The PRC 116036 中國遼寧省大連市甘井子區營輝路5號	100 per cent.	120,300,000
2.	A parcel of land known as Lot No. D2-44 with a manufacture plant under construction and located at Minfu Road East and Guoan Avenue North Coastal Industrial Base Yingkou Liaoning Province The PRC 115000 中國遼寧省營口市沿海產業基地民富路東國安大街北	100 per cent.	68,300,000
3.	A residential unit known as Unit 107, Block 13 inside Shaoyaoju Jia 2 Hao Chaoyang District Beijing The PRC 100029 中國北京朝陽區芍藥居甲2號內13號樓107	100 per cent.	5,400,000
		Grand Total	**RMB194,000,000**

Category B – Properties held by the Target Group with restricted titles in the PRC and valued on non-market value basis

	Property	Interest of the Target Group	Amount of valuation in its existing state attributable to the Target Group as at 30 April 2019
			RMB
4.	A manufacture plant located at Nos. 99, 99-1 and 99-2, and 99-4 to 99-18 Dongwei Road Ganjingzi District Dalian City Liaoning Province The PRC 116036 中國遼寧省大連市甘井子區東緯路99號	100 per cent.	61,700,000
		Grand Total	**RMB61,700,000**

Category A and Category B are two different kind of basis of value and should not be reported in a total amount

PROPERTY PARTICULARS WITH VALUES

Category A – Properties held by the Target Group under long-term title certificates in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Target Group as at 30 April 2019
1.	A manufacture plant located at Nos. 5-1, 5-2, 5-3, 5-4, 5-5 and 5-6 Yinghui Road Ganjingzi District Dalian City Liaoning Province The PRC 116036	The property comprises a parcel of land having a site area of 66,684.20 square meters ("**sq.m.**") with 6 various major buildings having a total registered gross floor area of 37,181.52 sq.m. erected thereon to form a manufacture complex. *(See Note 1 below)* The major buildings consist of three 3-storey workshops, a 2-storey canteen, a 6-storey office building and a single-storey guardhouse. According to the information provided by the Company, the buildings were completed in September 2012. The plant is fenced with boundary walls and fences. There are some single-storey temporary storages and ancillary facilities such as car parking and rubbish collection point provided in the property. The property is located in an industrial area. The property is subject to a right to use the land for a term till 24 June 2058 for industrial/ non-domestic purposes. *(See Note 1 below)*	As inspected by us and confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was occupied as manufacturing workshops, warehouses, canteen and offices.	RMB120,300,000 100 per cent. interest

Notes:

1. Pursuant to 6 various Real Estate Certifiate (不動產權證書) issued by the Land Resources and Housing Bureau of Dalian City and dated 28 June 2017, the legally interested party in the property having a total site area of 66,684.20 sq.m. and a total gross floor area of 37,181.52 sq.m. is the Target Company for a term till 24 June 2058 for industrial/non-domestic purposes, and is subject to a state-owned construction usage land use rights. Summary of the certificates are as follows:

Property	**Real Estate Certificate No.**	**Gross Floor Area** *(sq.m.)*
Office Building (6-storey building (including a basement))	Liao (2017) Da Lian Shi Nei Si Qu Bu Dong Chan Quan Di 00125444 Hao (遼(2017)大連市內四區不動產權第00125444號)	6,147.16
Workshop (3-storey)	Liao (2017) Da Lian Shi Nei Si Qu Bu Dong Chan Quan Di 00125427 Hao (遼(2017)大連市內四區不動產權第00125427號)	20,018.08
Workshop (3-storey)	Liao (2017) Da Lian Shi Nei Si Qu Bu Dong Chan Quan Di 00125421 Hao (遼(2017)大連市內四區不動產權第00125421號)	6,349.60
Workshop (3-storey)	Liao (2017) Da Lian Shi Nei Si Qu Bu Dong Chan Quan Di 00125403 Hao (遼(2017)大連市內四區不動產權第00125403號)	3,337.00
Canteen (2-storey)	Liao (2017) Da Lian Shi Nei Si Qu Bu Dong Chan Quan Di 00125390 Hao (遼(2017)大連市內四區不動產權第00125390號)	1,297.34
Guardhouse (Single storey)	Liao (2017) Da Lian Shi Nei Si Qu Bu Dong Chan Quan Di 00125442 Hao (遼(2017)大連市內四區不動產權第00125442號)	32.34
	Total:	**37,181.52**

2. According to the information made available to us, we are given to understand that the portion of the land with a site area of 37,181.52 sq.m. is subject to a mortgage in favor of 盛京銀行股份有限公司大連分行 Shengjing Bank Limited Dalian Branch from 28 June 2017 to 27 June 2019.

3. According to the legal opinions prepared by the Group's PRC legal adviser,

   (i) The Target Company has obtained the right to use the property legally by way of land grant and all relevant land premium was fully paid; and

   (ii) Subject to the mortgage mentioned above, the target company has an absolute right to possess, use, handsel, transfer, let, mortgage or other uses comply with the relevant laws and regulations in the PRC regarding the land use rights of the property within the remaining use term subject to the approval of the mortgage.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Target Group as at 30 April 2019
2.	A parcel of land known as Lot No. D2-44 with a manufacture plant under construction and located at Minfu Road East and Guoan Avenue North Coastal Industrial Base Yingkou Liaoning Province The PRC 115000	The property comprises a parcel of land having a site area of 395,725.50 square meters ("**sq. m.**"). with a manufacture plant under construction. *(See Note 1 below)* The property is located in an industrial area. The property is subject to a right to use the land for a term till 31 December 2056 for industrial purpose.	As inspected by us and confirmed by the appointed personnel of the Company, as at the Valuation Date, the property is under construction. The estimated date of completion to be in September 2019. *(See Note 4 below)*	RMB68,300,000 100 per cent. interest *(See Notes 5 and 6 below)*

Notes:

1. Pursuant to a Real Estate Certificate (不動產權證) known as Liao (2016) Ying Kou Shi Bu Dong Chan Quan Di 0000015 Hao (遼(2016)營口市不動產權第0000015號) issued by Land Resources Department of Yingkou City and dated 5 August 2016, the legally interested party in the land of the property with a total site area of 395,725.50 sq.m. is 華君液力機械科技發展(遼寧)有限公司 (translated as Huajun Hydraulic Machinery Technology Development (Liaoning) Co. Limited) (the "**PRC Subsidiary A**"), for a land use term till 31 December 2056 for industrial purpose.

2. Pursuant to the Contract for the Transfer of State-owned Land Use Rights known as Liao Ying Yan Tu Di (Xie) Gong Zi (2016) Di 8 Hao (遼營沿土地(協)工字(2016)第8號) dated 1 August 2016, the property is mainly subject to the following development parameters:

Plot Ratio	≥ 0.8
Total Gross Floor Area	≥ 316,580.4 sq.m.
Density	≥ 30%
Greenery Area	≤ 15%

3. Pursuant to the Contract for the Transfer of State-owned Land Use Rights mentioned in Note 2, the Land Use Right was granted to the PRC Subsidiary A with the land premium of RMB 31,658,040. As advised, the land premium has been settled.

4. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 21080720160014 (Ji) Hao (地字第21080720160014(基)號) dated 24 October 2016 and issued by the Coastal Industrial Base Management Committee of Liaoning Yingkou (遼寧(營口)沿海產業基地管委會), the PRC Subsidiary A was permitted to develop a parcel of land having a total site area of approximately 395,725.50 sq.m. for industrial usage.

5. We have discussed with the management of the Group and were advised that the construction permit is in the process of application.

6. According to the information provided by the Target Company, as at the Valuation Date, the expected cost to complete the construction was RMB32.3 million and the cost incurred was RMB87.7 million. However, no relevant construction permits were issued. We have not taken into account of the cost incurred in our valuation.

7. The estimated capital value of the property after completion and getting relevant construction permits is estimated to be RMB182 million.

8. In valuing the land portion of the property, which is an industrial land in nature, sales comparables of land with same industrial usage in Yingkou were identified and referenced.

9. In our valuation, we have referenced the following land comparable sale transactions:

Transaction Date	**Location**	**Land Usage**	**Site Area (sq.m.)**	**Transaction Price (RMB)**	**Unit Price (RMB per sq.m.)**
7 Mar 2019	Yingkou City	Industrial	329,658.00	78,788,300.00	239.00
21 Jan 2019	Yingkou City	Industrial	323,878.00	77,406,800.00	239.00
6 Nov 2018	Yingkou City	Industrial	331,157.00	79,146,500.00	239.00
				Average	239.00

After making adjustments on various factors including transaction time, location, size, and difference of land lease terms between the property and the comparables, the adopted price of the land of the property was RMB184 per sq.m.

10. According to the legal opinions prepared by the Group's PRC legal advisor,

(i) The PRC Subsidiary A has obtained the right to use the property legally by way of land grant and all relevant land premium was fully paid;

(ii) The land is pledged to 營口沿海銀行股份有限公司 (Yingkou Coastal Bank Limited);

(iii) Subject to the mortgage mentioned above, the PRC Subsidiary A has an absolute right to possess, use, transfer regarding the land use rights of the property within the remaining use term subject to the approval of the mortgage;

(iv) The property is not subject to any idle land penalty; and

(v) The PRC Subsidiary A may probably be subject to administrative penalty in the range of 1% to 10% of the construction contract sum due to commencement of construction without relevant permits. As at the Valuation Date, the PRC Subsidiary A has not yet received any penalty to be paid due to this matter, as advised.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Target Group as at 30 April 2019
3.	A residential unit known as Unit 107, Block 13 inside Shaoyaoju Jia 2 Hao Chaoyang District Beijing The PRC 100029	The property comprises an apartment unit on Level 1 of an 18-storey apartment building which was completed in 1988. The property has a registered gross floor area of 77.48 sq.m. The property is located in a residential area. The property is subject to a right to use the land for a term ends at 17 May 2068 for residential purpose. *(See Note 1 below)*	As inspected by us and confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was occupied as staff quarter.	RMB5,400,000 100 per cent. interest

Notes:

1. For land use rights: pursuant to a State-owned Land Use Rights Certificate (國有土地使用證) known as Jing Shi Chao Qi Guo Yong (2006 Chu) Di 6007927 Hao (京市朝其國用(2006出)第6007927號) issued by the People's Government of Beijing City and dated 4 December 2006, the legally interested party in the land of the property having an allocated site area of 14.30 sq.m. is the Target Company.

2. For building ownership: pursuant to a Building Ownership Certificate (房屋所有權證) known as Jing Fang Quan Zheng Shi Chao Qi Zi Di 0560205 Hao (京房權證市朝其字第0560205號) issued by the Construction Committee of Beijing City and dated 16 June 2005, the legally interested party in the property having a gross floor area of 77.48 sq.m. is the Target Company.

3. In valuing the property, which is a residential property, sales residential comparables in Chaoyang District were identified and referenced.

4. In our valuation, we have referenced the following residential property listings:

Listing Date	Location	Gross Floor Area ("GFA") (sq.m.)	Listing Price (RMB)	Unit Price (RMB per sq.m. on GFA)
14 Apr 2019	Chaoyang district, Beijing	78.23	5,940,000	75,930
15 Apr 2019	Chaoyang district, Beijing	71.00	5,500,000	77,465
11 Apr 2019	Chaoyang district, Beijing	78.20	5,940,000	75,959
7 Apr 2019	Chaoyang district, Beijing	107.32	8,990,000	83,768
12 Apr 2019	Chaoyang district, Beijing	67.71	4,650,000	71,859
			Average	76,996

After making adjustments on various factors including transaction time, floor, size and listing nature, the adopted price of the property was RMB69,000 per sq.m. on GFA.

5. According to the legal opinions prepared by the Group's PRC legal adviser, the Target Company has the right to use, possess, transfer and let regarding the land use rights of the property within the remaining specified land use term.

Category B – Property held by the Target Group with restricted titles in the PRC and valued on non-market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Target Group as at 30 April 2019
4.	A manufacture plant located at Nos. 99, 99-1 and 99-2, and 99-4 to 99-18 Dongwei Road Ganjingzi District Dalian City Liaoning Province The PRC 116036	The property comprises a a parcel of land having a site area of 66,739.00 square meters ("**sq.m.**") with 18 various major buildings having a total registered gross floor area of 26,381.33 sq.m. erected thereon. The major buildings consist of a 5-storey composite building, 2 various 3-storey composite buildings, 8 various 2-storey composite buildings and workshops and 7 various single storey workshops. According to the information provided by the Company, the buildings were completed in between 1960 to 1993. The plant is fenced with boundary walls and fences. There are some single storey structures and ancillary facilities such as car parking and rubbish collection point provides in the property. The property is located in an area surrounding by various commercial and residential buildings. The term of land use is unknown and the land use is designated for non-domestic purpose.	As inspected by us and confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was vacant.	RMB61,700,000 100 per cent. interest

Notes:

1. Pursuant to a Building Ownership Certificate (房屋所有權證) known as Da Fang Quan Zheng Gan Dan Zi Di 2001190178 Hao (大房權證甘單字第2001190178號) issued by the Real Estate Management Bureau of Dalian City and dated 12 March 2001, the legally interested party in the building erected on Lot No. 72-6-18 of the property with a total gross floor area of 2,279.67 sq.m. is the Target Company. No land use term was mentioned in the certificate.

2. Pursuant to 17 various Building Ownership Certificate (房屋所有權證) issued by the Real Estate Management Bureau of Dalian City and dated 25 May 2007, the legally interested party in these buildings of the property with a total gross floor area of 24,101.66 sq.m. is 綏化市中影建築安裝裝飾有限公司 (translated as Shuihua Zhongying Construction and Decoration Co., Limited and hereinafter referred to as "**Shuihua Zhongying**"). No land use terms were mentioned in the certificates.

3. According to the legal opinions prepared by the Group's PRC legal adviser,

   (i) the land of the property is administrative allocation in nature and without a specified tenure;

   (ii) the Target Company has obtained the use right of the 17 various buildings from Shuihua Zhongying via (2010) Da Min Er Chu Zi Di 28 Hao ((2010)大民二初字第28號) and (2011) Liao Min Yi Zhong Zi Di 57 Hao ((2011)遼民一終字第57號) Civic Awards; and

   (iii) the property has been announced to be resumed by the local Government. The Target Company has the right to obtain compensations regarding the announced resumption. Details refer page 21 of the Letter From the Board.

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 :

Authorised		*HK$*
400,000,000	Shares	400,000,000
Issued and fully paid		*HK$*
60,669,200	Shares	60,669,200

3. DISCLOSURE OF INTERESTS

Interest of Directors and Chief Executive in the Company

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

Interests in the Shares of the Company

Director	**Number of Shares**	**Capacity**	**Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date**
Mr. Meng	76,166,408 (L)	Interest in controlled corporation *(Note 1 and 2)*	125.54%
	769,640 (L)	Beneficial owner	1.27%
	387,351 (L)	Share options *(Note 3)*	0.64%
Ms. Zhang Ye	274,050 (L)	Share options *(Note 4)*	0.45%
Mr. Guo Song	274,050 (L)	Share options *(Note 5)*	0.45%
	30,000 (L)	Beneficial owner	0.05%
Mr. He Shufen	21,320 (L)	Beneficial owner	0.04%
Mr. Zeng Hongbo	274,050 (L)	Share options *(Note 4)*	0.45%
	3,560 (L)	Beneficial owner	0.01%
Mr. Zheng Bailin	38,735 (L)	Share options *(Note 6)*	0.06%
Mr. Shen Ruolei	38,735 (L)	Share options *(Note 6)*	0.06%
Mr. Pun Chi Ping	38,735 (L)	Share options *(Note 6)*	0.06%

Notes:

1. Long positions in 70,766,408 Shares are held by CHG. CHG was wholly owned by Huajun Group Limited (華君集團有限公司), a company incorporated in Hong Kong with limited liability, which was beneficially owned as to 100% by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by CHG by virtue of SFO. Amongst 70,766,408 shares, 26,315,789 shares involve issue of convertible bond under specific mandate and are subject to shareholders' approval. For further details, please refer to the announcement and circular of the Company dated 26 October 2018 and 31 January 2019 respectively.

2. Long positions in 5,400,000 shares are held by Nanjing Huajun Real Estate Co., Ltd.* (南京華君置業有限公司). The entire share capital of Nanjing Huajun Real Estate Co., Ltd. is beneficially owned by Huajun Real Estate Company Limited* (華君置業有限公司) which is wholly owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by Nanjing Huajun Real Estate Co., Ltd. by virtue of SFO. 5,400,000 shares held by Nanjing Huajun Real Estate Co., Ltd. involves issue of convertible bond under specific mandate and is subject to shareholders' approval. For further details, please refer to the announcement and circular of the Company dated 21 September 2018 and 25 January 2019 respectively.

3. 38,735,070 share options have been granted to Mr. Meng and were subsequently consolidated into 387,351 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 7 February 2017 and 5 December 2017, respectively.

4. 274,050 share options have been granted to each of Ms. Zhang Ye and Mr. Zeng Hongbo prior to their appointment as Director.

5. 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.

6. 3,873,500 share options have been granted to each of Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping and were subsequently consolidated into 38,735 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 30 June 2015, 7 February 2017 and 5 December 2017, respectively.

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

Interests in shares in associated corporation

Associated corporation	**Director**	**Capacity**	**Number of Shares held**	**Approximate percentage of interest in the capital of the associated corporation**
Huajun Group Limited (華君集團有限公司) *(Note 7)*	Mr. Meng	Beneficial owner	3,000,000,000	100%

Note:

7. 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	77,323,399 (L)	Interest held by spouse *(Note (a) (b) and (c))*	127.45%
CHG	70,766,408 (L)	Beneficial owner	116.64%
Huajun Group Limited (華君集團有限公司)	70,766,408 (L)	Interest of controlled corporation *(Note (a))*	116.64%
Nanjing Huajun Real Estate Co., Ltd.	5,400,000	Beneficial owner *(Note (b))*	8.9%
Huajun Real Estate Company Limited	5,400,000	Interest of controlled corporation *(Note (b))*	8.9%
Mr. Meng	769,640 (L)	Beneficial owner	1.27%
	76,166,408 (L)	Interest of controlled corporation *(Note (a))*	125.54%
	387,351 (L)	Share Options	0.64%

Note:

(a) 70,766,408 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. Mr. Meng was deemed to be interested in all Shares held by CHG by virtue of SFO. Amongst 70,766,408 shares, 26,315,789 shares involve issue of convertible bond under specific mandate and are subject to shareholders' approval. For further details, please refer to the announcement and circular of the Company dated 26 October 2018 and 31 January 2019 respectively.

(b) Long positions in 5,400,000 shares are held by Nanjing Huajun Real Estate Co., Ltd.. The entire share capital of Nanjing Huajun Real Estate Co., Ltd. is beneficially owned by Huajun Real Estate Company Limited which is wholly owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by Nanjing Huajun Real Estate Co., Ltd. by virtue of SFO. 5,400,000 shares held by Nanjing Huajun Real Estate Co., Ltd. involves issue of convertible bond under specific mandate and is subject to shareholders' approval. For further details, please refer to the announcement and circular of the Company dated 21 September 2018 and 25 January 2019 respectively.

(c) Madam Bao, being a spouse of Mr. Meng, was deemed to be interested in the interest held by Mr. Meng.

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

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

5. DIRECTORS' SERVICES CONTRACTS

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

6. EXPERTS AND CONSENTS

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

Name	Qualification
China AF Corporate Finance Limited	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
LCH (Asia-Pacific) Surveyors Limited	Independent property valuer

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

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

7. COMPETING INTERESTS

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

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

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

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

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

The Group has several outstanding legal proceedings with construction contractors, customers, suppliers and joint venture partner that against the Group in the PRC in relation to the Group's property development and investment, printing and solar photovoltaic segment. Apart from disclosed below, the directors consider that all other legal proceedings would not have significant financial impact to the Group as the corresponding claims against the Group are either not significant or not probable to have a material financial impact to the Group, based on the advice of the legal counsel.

(1) The Group has three outstanding legal proceedings with Jiangsu Nantong Erjian Group Company Ltd. ("**Jiangsu Nantong Erjian**") as plaintiff against several subsidiaries of the Company in the PRC in respect of certain construction contracts disputes. The total amounts in disputes were approximately RMB257,397,000. Subsequent to the reporting date, the Group has entered into settlement agreements with Jiangsu Nantong Erjian which shall apply to the court for withdrawal of the claims against the Group once the Group made certain agreed progress payments to Jiangsu Nantong Erjian on or before 30 June 2019. In April 2018, the plaintiff has withdrawn one legal proceeding of approximately RMB58,759,000 following the receipt of first progress payment and the remaining legal proceedings will be withdrawn after the receipt of the remaining progress payments on or before 30 June 2019 as agreed in the settlement agreements. The Directors consider that the construction costs and relevant compensation have been properly accrued based on the settlement agreements at 31 December 2018.

(2) The Group has entered into a cooperation agreement with an independent third party in June 2017 and based on the current assessment the cooperation is not likely to be proceed due to the failure to comply with certain urban renewal policies in Guangdong Province, the PRC and the relating project shall be terminated. Accordingly, the counterparty has raised a civil prosecution against the Group regarding the breach of the cooperation agreement. The Group has sought legal advice in the PRC on the legal proceedings to assess the amount of provision required. The Directors consider the provision made in the consolidated financial statements is adequate.

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

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 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 cooperation agreement dated 20 June 2017 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;

(b) 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;

(c) 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;

(d) 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;

(e) 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;

(f) 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;

(g) 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;

(h) 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;

(i) 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;

(j) 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;

(k) 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;

(l) 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;

(m) 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;

(n) 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;

(o) 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;

(p) 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);

(q) 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;

(r) the asset transfer agreement dated 16 October 2018 entered into between Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智慧科技有限公司) as vendor and Huajun Power Technology (Jiangsu) Co., Ltd.* (華君電力科技(江蘇)有限公司) ("**Huajun Power Jisangsu**"), an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendor has conditionally agreed to sale, and Huajun Power Jisangsu has conditionally agreed to purchase certain assets owned by the vendor as listed in the said asset transfer agreement at the consideration of RMB125.30 million (which has been terminated on 28 November 2018);

(s) the asset transfer agreement dated 16 October 2018 entered into between Jiangsu Xietong Solar Technology Co., Ltd.* (江蘇協通光伏科技有限公司) as vendor and Huajun Power Jisangsu as purchaser, pursuant to which the vendor has conditionally agreed to sale, and Huajun Power Jisangsu has conditionally agreed to purchase certain assets owned by the vendor as listed (which has been terminated on 28 November 2018);

(t) 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;

(u) the transfer agreement dated 5 December 2018 entered into between Zhang Lijun (張立君) and Ren He (任賀), as vendors, and Huajun Power Technology Jiangsu, an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendors have conditionally agreed to sell, and Huajun Power Jiangsu has conditionally agreed to purchase the entire equity interest in Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司) at the consideration of RMB137.2 million (which has been lapsed on 1 April 2019);

(v) the transfer agreement dated 5 December 2018 entered into between Yang Hongjun (楊洪俊) and Lu Xiaocheng (陸小程), as vendors, and Huajun Power Jisangsu, an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendors have conditionally agreed to sell, and Huajun Power Jisangsu has conditionally agreed to purchase the entire equity interest in Jiangsu Xietong Solar Technology Co., Ltd. (江蘇協通光伏科技有限公司), at the consideration of RMB367.5 million (which has been lapsed on 1 April 2019);

(w) the Agreement;

(x) the agreement dated 19 February 2019 entered into between Ms. Yu Jing (于晶), as vendor and B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser, pursuant to which the vendor has conditionally agreed to sell, and B&H Properties Management (China) Limited* has conditionally agreed to purchase, the entire equity interest in the Yingkou Contemporary Group Company Limited* (營口當代集團股份有限公司), and all amounts (whether principal, interest or otherwise) owing by the target group to the vendor at completion, at the aggregate consideration of RMB128,000,000;

(y) the notice of Listing-for-Sale and the Transaction Confirmation Letter* (成交確認書) dated 29 March 2019 issued by the Dalian City Natural Resources Bureau* (大連市自然資源局) in respect of the acquisition of the land parcel situated at Ha Da High Speed Hou Yan Shou Fei Station West, Ying Jin Road (Guo Dao 202) and Gui Bai Road Junction East * (哈大高速後鹽收費站西側，迎金路（國道202）與檜柏路交匯處東側), numbered Da Cheng No.4 Zong De* (大城(2019) – 4 號棕地) by Huajun Technology at the consideration of RMB319.27 million;

(z) the investment agreement dated 15 May 2019 entered into between New Island Printing Company Limited (新洲印刷有限公司), an indirect wholly-owned subsidiary of the Company, and Nanjing Liuhe Economic Development Zone Management Committee* (南京六合經濟開發區管委會) in respect of (i) the potential bidding of the land parcel situated at Liuhe Economic Development Zone* (六合經濟開發區), Nanjing City, Jiangsu Province, the PRC, with a total site area of approximately 107 mu (the "**Target Land**"), (ii) the potential acquisition of the assets (the "**Target Assets**") comprises of workshop, factory, auxiliary rooms, power distribution room overall facilities etc. which are located on the Target Land; and (iii) the setting up of high-end printing and packaging production base in the economic zone by New Island Packaging Technology (Jiangsu) Company Limited* (新洲包裝科技（江蘇）有限公司), an indirect wholly-owned subsidiary of the Company (the "**Project Company**");

(aa) the assets transfer agreement dated 15 May 2019 and entered into between the Project Company with Nanjing Yunhai Auto Glass Equipment Manufacturing Co., Ltd.* (南京雲海汽車玻璃設備製造有限公司), Pang Haishu (龐海樹), Yuan Qingting (袁青亭), Pang Xiaoling (龐小玲) and Pang Gaofeng (龐高峰), as vendors, pursuant to which the vendors have conditionally agreed to sell, and the Project Company has conditionally agreed to purchase the Target Assets at the consideration of RMB87,000,000 (As announced by the Company on 6 June 2019, the Project Company, an indirect wholly-owned subsidiary of the Company, entered into the supplemental assets transfer agreement with the Vendors (the "**Supplemental Agreement**") for the purpose of supplementing and amending the Assets Transfer Agreement. Pursuant to Supplemental Agreement, the parties agreed, among other things, to reduce the Assets Consideration from RMB87,000,000 to RMB60,010,000.); and

(ab) the acquisition agreement dated 23 May 2019 entered into between Baohua Properties (China) Limited* (保華地產（中國）有限公司), an indirect wholly owned subsidiary of the Company, as purchaser, and Wuxi City Jinde Assets Management Limited* (無錫市金德資產管理有限公司), as vendor, pursuant to which the purchaser has agreed to acquire, and the vendor has agreed to sell, 30% equity interests in and debt due by Wuxi Huize Real Estate Co., Ltd.* (無錫惠澤置業有限公司) for an aggregate consideration of RMB154,191,453.05.

12. GENERAL

(a) The company secretary of the Company is Mr. Tam Ka Lung, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountant.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(c) The head office and principal place of business of the Company is situated at 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

(d) The Hong Kong share registrar of the Company is Union Registrars Limited, located at Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King's Road, North Point, Hong Kong.

(e) In the event of inconsistency, the English text shall prevail over the Chinese text.

(f) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

13. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

(b) the annual reports of the Company for the two years ended 31 March 2017, 31 March 2018 and nine months ended 31 December 2018, respectively;

(c) the material contracts referred to under the section headed "Material Contracts" in this appendix;

(d) the letter of recommendation dated 24 June 2019 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the Appendix I of this circular;

(e) the letter of advice from China AF Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the Appendix II of this circular;

(f) the Property Valuation Report from LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in the Appendix III of this circular;

(g) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(h) the Agreement;

(i) the circulars of the Company dated 24 September 2018, 25 October 2018, 25 January 2019, 31 January 2019 and 28 May 2019; and

(j) this circular.

HUAJUN INTERNATIONAL GROUP LIMITED
華君國際集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Huajun International Group Limited (the "**Company**") will be held at 3:00 p.m. on Thursday, 11 July 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 24 June 2019 (the "**Circular**").

ORDINARY RESOLUTION

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

"**THAT**

(a) the Agreement for the sale and purchase of the Target Equity Interest of the Target Company (including the (a copy of which has been produced to the Meeting marked "A" and initialed by the chairman of the Meeting for identification purpose) dated 6 December 2018 and entered into between the Company and the Vendors at the consideration of RMB36,000,000 to be satisfied partly by cash and partly by the issue of Consideration Shares, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the grant of the specific mandate to the Directors to allot and issue the Consideration Shares to the Vendor B pursuant to the Agreement 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

(c) 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 Consideration Shares to the Vendor B."

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

Hong Kong, 24 June 2019

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.

2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete, sign and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the aforesaid meeting or any adjournment thereof should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. To be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square 338 King's Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.

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

6. The voting on the proposed resolution at the SGM will be conducted by way of poll.

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