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

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

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CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF ASSETS
INVOLVING ISSUE OF CONVERTIBLE BOND
UNDER SPECIFIC MANDATE**

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

Nuada Limited

A notice convening the special general meeting of the Company (the "SGM") to be held at 3:00 p.m. on 23 November 2020 at Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong is set out on pages VI-1 to VI-3 of this circular.

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

PRECAUTIONARY MEASURES FOR THE SGM

Please refer to page 1 of this circular for the measures to be implemented at the SGM by the Company against the epidemic to protect the attendees from the risk of infection of the Novel Coronavirus ("COVID-19"), including:

- compulsory body temperature check
- compulsory wearing of surgical face mask
- No serving of refreshments

Any person who does not comply with the precautionary measures may be denied entry into the SGM venue. The Company wishes to advise Shareholders that you may appoint the Chairman of the meeting as your proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread (as per guidelines issued by the Hong Kong government at <https://www.chp.gov.hk/en/features/102742.html>), the Company will implement necessary preventive measures at the SGM to protect attending Shareholders, proxy and other attendees from the risk of infection, including:

- (i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendees at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue.
- (ii) Attendees are required to prepare his/her own surgical face masks and wear the same inside the SGM venue at all times.
- (iii) No refreshments will be served.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all attendees' health and safety, the Company wishes to advise all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions duly completed, Shareholders may appoint the Chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

The proxy form, which can also be downloaded from the Company's website (<https://www.huajunintlgroup.com>), is enclosed to this circular. If you are not a registered Shareholder (i.e., if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

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DEFINITIONS

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

“Acquisition A”	the acquisition of the Assets A contemplated under the Agreement A
“Acquisition B”	the acquisition of the Assets B contemplated under the Agreement B
“Acquisitions”	collectively, the Acquisition A and the Acquisition B
“Agreement A”	the transfer agreement dated 30 June 2020 entered into between the Purchaser and the Vendor A in respect of the Acquisition A
“Agreement B”	the transfer agreement dated 30 June 2020 entered into between the Purchaser and the Vendor B in respect of the Acquisition B
“Agreements”	collectively, the Agreement A and the Agreement B
“Assets A”	the Target Property A and various equipment relating to the production and manufacturing of photovoltaic related products as listed in the Agreement A
“Assets B”	the Target Property B and various equipment relating to the production and manufacturing of photovoltaic related products as listed in the Agreement B
“Announcements”	collectively the announcements of the Company dated 30 June 2020 and 17 July 2020 relating to the Acquisitions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Convertible Bond
“Bond Instrument”	the instrument constituting the Convertible Bond to be executed by the Company to the Vendor upon Completion

DEFINITIONS

“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
“closing price”	closing price per Share for any trading day as published by the Stock Exchange
“Company”	China Huajun Group Limited (中國華君集團有限公司) (stock code: 377) (formerly known as Huajun International Group Limited (華君國際集團有限公司)), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion A”	the completion of the Acquisition A pursuant to the terms and conditions of the Agreement A
“Completion B”	the completion of the Acquisition B pursuant to the terms and conditions of the Agreement B
“Completion”	collectively, the Completion A and the Completion B
“Completion Date A”	a day within 5 business days from the date that all of the relevant conditions for the Completion A (as the case may be)
“Completion Date B”	a day within 5 business days from the date that all of the relevant conditions for the Completion B (as the case may be)
“Completion Date(s)”	collectively, the Completion Date A, the Completion Date B
“Conditions”	the conditions precedent of the respective Agreements as set out in the section headed “Conditions Precedent” in this circular
“Conditions Fulfillment Date”	30 June 2021, which has now extended in writing to 30 December 2021 or such later date as the parties to the Agreement A or Agreement B (as the case may be) may agree in writing, as disclosed in the announcement of the Company dated 22 October 2020
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Consideration A”	the consideration of RMB87,000,000 (equivalent to approximately HK\$94,830,000) for the Assets A
“Consideration B”	the consideration of RMB271,725,000 (equivalent to approximately HK\$296,180,250) for the Assets B
“Considerations”	collectively, the Consideration A and the Consideration B
“Convertible Bond A”	convertible bond in the aggregate amount of HK\$94,830,000 to be issued by the Company to satisfy the Consideration A, pursuant to the Bond Instrument
“Convertible Bond B”	convertible bond in the aggregate amount of HK\$296,180,250 to be issued by the Company to satisfy the Consideration B, pursuant to the Bond Instrument
“Convertible Bond”	collectively, the Convertible Bond A and the Convertible Bond B
“Conversion Period”	the period commencing from the date of issue of the Convertible Bond and ending on the date which falls on the Business Day immediately before Maturity Date, both dates inclusive
“Conversion Price”	the conversion price of HK\$38.0 per Conversion Share
“Conversion Rights”	the conversion rights attaching to the Convertible Bond to convert the principal amount or a part thereof into Conversion Shares
“Conversion Shares”	10,289,743 new Shares which may fall to be allotted and issued by the Company in aggregate to the Vendors at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“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 Agreements and the Specific Mandate
“Independent Financial Adviser”	Nuada Limited, a corporation licensed by the SFC to carry on type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate
“Independent Valuer”	LCH (Asia-Pacific) Surveyors Limited, the independent valuer engaged by the Purchaser for preparing the valuation reports in respect of the valued amount of the Assets A and Assets B
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreements, the transactions contemplated thereunder and the issue of the Convertible Bond and Conversion Shares under the Specific Mandate
“Issue Price”	the issue price of the Convertible Bond, which shall be 100% of the principal amount of the Convertible Bond
“Last Practicable Date”	30 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Last Trading Day”	29 June 2020, being the last trading day immediately before the entering into the Agreement
“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
“Maturity Date”	the date falling on the fifth anniversary from the date of issue of the respective Convertible Bond
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder (as defined under the Listing Rules) of the Company

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Huajun Power Technology (Jiangsu) Co., Ltd.* (華君電力科技(江蘇)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“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 Agreements and the grant of the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	the specific mandate for the allotment and issuance of the Conversion Shares, fall to be issued under the Convertible Bond, to be granted to the Directors by the Independent Shareholders at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers and Share Repurchases published by the SFC from time to time
“Target Property A”	the property erected on land parcel situate at Guozhuang Town Airport Industrial Concentration Zone, Jurong City, Jiangsu Province, the PRC of industrial use with a total site area of approximately 65,713.00 sq.m. and a total gross floor area of approximately 41,833.57 sq.m.

DEFINITIONS

“Target Property B”	the property erected on land parcel situate at Guozhuang Town, Jurong City, Jiangsu Province, the PRC of industrial use with a total site area of approximately 74,660 sq.m. and a total gross floor area of approximately 44,051.95 sq.m.
“Vendor A”	Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司), a company established in the PRC with limited liability
“Vendor B”	Huajun Power (Jurong) Co., Ltd.* (華君電力(句容)有限公司), a company established in the PRC with limited liability
“Vendors”	collectively, the Vendor A and the Vendor B
“Valuation Reports A”	the valuation reports in respect of the total value of the Assets A prepared by the Independent Valuer as set out in Appendix III to this circular
“Valuation Reports B”	the valuation reports in respect of the total value of the Assets B prepared by the Independent Valuer as set out in Appendix IV to this circular
“%”	per cent

* 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\$1.09. Such conversion should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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

LETTER FROM THE BOARD



CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

Executive Directors:

Mr. Meng Guang Bao

Ms. Zhang Ye

Ms. Huang Xiumei

Ms. Bao Limin

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-Executive Directors:

Mr. Zheng Bailin

Mr. Shen Ruolei

Mr. Pun Chi Ping

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

36/F., Champion Tower

3 Garden Road

Central

Hong Kong

5 November 2020

To the Shareholders,

Dear Sir/Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF ASSETS
INVOLVING ISSUE OF CONVERTIBLE BOND
UNDER SPECIFIC MANDATE**

INTRODUCTION

References are made to the Announcements published by the Company in relation to the Acquisitions. The Board proposes to seek the approval of the Independent Shareholders for the issue of the Convertible Bond under Specific Mandate as full settlement of the Considerations.

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

- (a) details of the Acquisitions and issue of the Convertible Bond under Specific Mandate;

LETTER FROM THE BOARD

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

I. THE ACQUISITIONS

Acquisition A

On 30 June 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement A with the Vendor A for the acquisition of the Assets A at the Consideration A of RMB87,000,000 (equivalent to approximately HK\$94,830,000).

Principal terms of the Agreement A are set out as follows:

Date: 30 June 2020 (after trading hours)

Parties: Vendor A: Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司)

Purchaser: Huajun Power Technology (Jiangsu) Co., Ltd.* (華君電力科技(江蘇)有限公司)

Assets A

Pursuant to the Agreement A, the Vendor A has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Assets A at the Consideration A of RMB87,000,000 (equivalent to approximately HK\$94,830,000). The Assets A comprises of the land use rights and building portions of Target Property A and various equipment relating to the production and manufacturing of photovoltaic related products, such as scribing machine (劃線機), automatic string welding machine (自動串焊機), battery string automatic laying tandem machine (電池串自動鋪設串聯機) and etc. The Group has entered into written agreements with Vendor A for renting Assets A for manufacturing photovoltaic products since March 2019, which will expire in December 2020, after which the Vendor A will not continue to rent Assets A to the Group free of charge and the Vendor has informed management of the Company at the start of 2020 that they have intention to dispose Assets A upon the expiration of the aforesaid written agreements. As the Group will still need to use Assets A for manufacturing photovoltaic products as part of its principal business operations, the Group decided to purchase Assets A from Vendor A.

LETTER FROM THE BOARD

The Company has used the production output of Assets A for approximately 27% of the Group's total production output and Asset A's production output during January 2020 to July 2020 to complete the orders placed by customers. Further, the Board has analysed the costs of alternative options available to the Group in Jurong city as compared to acquiring Assets A, however the Board noticed that there is no similar rental and acquisition option available and estimated that the Group would need to pay approximately RMB138.3 million to purchase similar gross floor area of land use rights and construct specialized manufacturing plants similar to Target Property A, which is approximately 59.0% higher than Consideration A.

As advised by the Vendor A, the Target Property A is situated at Guozhuang Town Airport Industrial Concentration Zone, Jurong City, Jiangsu Province, the PRC for industrial use with a total site area of approximately 65,713.00 sq.m. and a total gross floor area of approximately 41,833.57 sq.m.. As advised by the Vendor A, currently the Target Property A is a manufacturing plant which is available for production of photovoltaic related products. Target Property A is currently subject to two mortgages in favour of Guozhuang Sub-branch, Jiangsu Jurong Rural Commercial Bank Co., Ltd* (江蘇句容農村商業銀行股份有限公司郭莊支行) (the "Mortgage A"). The aggregate principal amount of the Mortgage A is RMB88,130,000. As at the Latest Practicable Date, no repayment has been made, and the maturity date is on 26 January 2021. The Mortgage A will be settled in full by the Vendor A and be released on or before Completion.

Upon Completion, the Assets A including the land use rights of the Target Property A, will be transferred to and used by the Purchaser for manufacturing photovoltaic products.

Consideration A

As stated in the Announcements, the Purchaser and the Vendor A jointly appointed a valuer, LCH (Asia-Pacific) Surveyors Limited, the Independent Valuer, to prepare the Valuation Reports A in respect of the total value of the Assets A. Qualification of the responsible valuers are set out on pages III-12 and III-22 of this circular.

The consideration for the Assets A shall be RMB87,000,000 (equivalent to approximately HK\$94,830,000) or the said valued amount of the Assets A, whichever is the lower. Pursuant to the Valuation Reports A, the valued amount of the Assets A is RMB138,875,310. Accordingly, the consideration for the Assets A shall remain as RMB87,000,000 (equivalent to approximately HK\$94,830,000). Pursuant to the Agreement A, the Vendor A and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK\$1.09.

LETTER FROM THE BOARD

As advised by holding company of the Vendor A, the original acquisition cost incurred by it for the acquisition of the entire equity interest of Vendor A completed in December 2018 was approximately RMB217,000,000 (equivalent to approximately HK\$236,530,000). The said original acquisition involved the simultaneous acquisition of the Vendor A's equity interest together with the Assets A at that material time at a lump sum, therefore there is no original acquisition cost of the Assets A alone. As advised by Vendor A, the net book value of Asset A was approximately RMB107,270,000 (equivalent to approximately HK\$116,924,300) as at the time of the original acquisition. As at 30 June 2020, the net book value of Assets A was RMB104,380,000 (equivalent to approximately HK\$113,774,000). The difference in the net book value of Assets A between December 2018 and 30 June 2020 is due to the accounting depreciation over the period from January 2019 to 30 June 2020.

Pursuant to the Agreement A, within five Business Days after the Completion Date A, the Purchaser shall pay the Consideration A to the Vendor A by issue of the Convertible Bond A, at the Issue Price, to the Vendor A and/or its nominee or by cash, at the sole discretion by the Purchaser. The Purchaser may also pay the Consideration A partly by cash and partly by issue of the Convertible Bond A. Based on the current situation, the Board expects to settle the Consideration A by issue of Convertible Bond A.

The Consideration A was determined by the Vendor A and the Purchaser on arm's length negotiations with reference to the net book value of the Assets A of the Vendor A and then further adjusted pursuant to the valued amount of the Assets A in accordance with the Valuation Reports A in Appendix III of this circular. As such, the Board (other than Mr. Meng, who had abstained from voting at the relevant resolution of the Board meeting and will abstain from voting on the relevant resolutions at the SGM; but including the independent non-executive Directors who have taken into consideration of the recommendation from the Independent Financial Adviser) considers that the Consideration A is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

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 V-5 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.

LETTER FROM THE BOARD

For Assets A, in valuing the plant and machinery of Assets A the Independent Valuer adopted the cost approach as the main valuation approach considering the specialized design and production layout of the subject plant and machinery and that it is a relatively new production equipment. The market approach was used to assess the reasonableness of the purchase prices of the subject plant and machinery. The income approach was found inappropriate due to the short period of operation and the lack of income stream needed for an income approach analysis. In valuing the property of Assets A the Independent Valuer adopted the depreciated replacement cost (“DRC”) approach which is a procedural valuation approach and is an application of the cost approach in valuing specialised property like the property when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. For owner-occupied specialised property 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 Board has assessed the key assumptions and methodology adopted in the Valuation Reports A 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 when valuing specialised property such as the Assets A when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. For details of the Valuation Reports A, please refer to the Valuation Reports A in Appendix III to this circular.

Conditions precedent

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

- (a) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Conversion Shares;
- (b) the Independent Shareholders having passed the resolutions to approve the Agreement A, the transactions contemplated thereunder and the allotment and issue of the Conversion Shares under the Specific Mandate;
- (c) the Company having issued the relevant circular in relation to the Agreement A and the transactions contemplated thereunder in accordance with the Listing Rules;
- (d) the Valuation Reports A having been completed (to the satisfaction of the Purchaser); and
- (e) the Purchaser having received the documents (to its satisfaction) proving that the Assets A (including the interest of the Target Property A) have been duly transferred to the Purchaser or its nominee free from any encumbrances and third parties’ rights.

LETTER FROM THE BOARD

None of the above conditions are waivable. If any of the above conditions has not been fulfilled by the Conditions Fulfillment Date, the Agreement A shall lapse. None of the parties shall claim against the other party save as the antecedent breach made by the parties of the Agreement A. As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

Completion A

The Completion A shall take place within five business days from the date that all of the above conditions having been fulfilled. It is expected that Completion A will take place around June 2021.

Acquisition B

The Board is also pleased to announce that on 30 June 2020 (after trading hours), the Purchaser also entered into the Agreement B with the Vendor B for the acquisition of Assets B subject to the Tenancy (as defined below) at the Consideration B of RMB271,725,000 (equivalent to approximately HK\$296,180,250).

Principal terms of the Agreement B are set out as follows:

Date: 30 June 2020 (after trading hours)

Parties: Vendor B: Huajun Power (Jurong) Co., Ltd.* (華君電力(句容)有限公司)

Purchaser: Huajun Power Technology (Jiangsu) Co., Ltd.* (華君電力科技(江蘇)有限公司)

Assets B

Pursuant to the Agreement B, the Vendor B has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Assets B at the Consideration B of RMB271,725,000 (equivalent to approximately HK\$296,180,250). The Assets B comprises of the land use rights and building portions of Target Property B and various equipment relating to the production and manufacturing of photovoltaic related products, such as Automatic washing machine (全自動清洗機), automatic degumming machine (全自動脫膠機), diamond wire cutting machine (金剛線截斷機) and etc.

As advised by the Vendor B, the Target Property B erected on the land parcel situated at Guozhuang Town, Jurong City, Jiangsu Province, the PRC for industrial use with a total site area of approximately 107,326 sq.m. and a total gross floor area of approximately 44,051.95 sq.m.. Pursuant to the Agreement B, 49 mu* (畝) (equivalent to approximately 32,666 sq.m.) of the said land parcel will not form part of the Assets B as this was excluded in the original acquisition by the Vendor B in 2018. As such, the total land area of the Target Property B is approximately 74,660 sq.m.. The land use right of the excluded parcel can be segregated from the land use right of the Target Property B after Completion when the relevant loan is repaid and the Mortgage is released.

LETTER FROM THE BOARD

The said excluded parcel of land is owned by the two former shareholders of the Target Property B, namely Yang Hongjun* (楊洪俊) and Lu Xiaocheng* (陸小程) (i.e. the vendors who sold the Target Property B to Vendor B in the original acquisition), both of which are Independent Third Parties.

As advised by the Vendor B, currently the Target Property B is a manufacturing plant, which was currently leased out to independent third party together with various equipment relating to the production and manufacturing of photovoltaic related products (the “**Tenancy**”) for a period of 5 years commencing from 17 December 2018 to 16 December 2023 at the annual rent of RMB45,000,000 (equivalent to approximately HK\$49,050,000) pursuant to the tenancy agreement dated 17 December 2018 and supplemental tenancy agreement dated 11 February 2019. The lessee of Target Property B is Jurong Sub-branch, Suzhou GCL Photovoltaic Technology Co., Ltd.* (蘇州協鑫光伏科技有限公司句容分公司), an independent third party of the Vendor B and the Company.

Upon Completion, the Company intends to use Target Property B for generation of rental income by leasing out the Target Property B. The Tenancy will continue after Completion, and there is no material change in the relevant terms.

Target Property B is currently subject to a mortgage in favour of Guozhuang Sub-branch, Jiangsu Jurong Rural Commercial Bank Co., Ltd* (江蘇句容農村商業銀行股份有限公司郭莊支行) (the “**Mortgage B**”). The principal amount of the Mortgage B is RMB72,470,000. As at the Latest Practicable Date, no repayment has been made, and the maturity date is on 9 July 2021. The Mortgage B will be settled in full by Vendor B and be released on or before Completion.

Consideration B

As stated in the Announcements, the Purchaser and the Vendor B jointly appointed a valuer, LCH (Asia-Pacific) Surveyors Limited, the Independent Valuer, to prepare the Valuation Reports B in respect of the total value of the Assets B. Qualification of the responsible valuers are set out on pages IV-12 and IV-23 of this circular.

The consideration for the Assets B shall be RMB271,725,000 (equivalent to approximately HK\$296,180,250) or the said valued amount of the Assets B, whichever is the lower. Pursuant to the Valuation Reports B, the valued amount of the Assets B is RMB351,646,180. As a result, the consideration for the Assets B shall remain as RMB271,725,000 (equivalent to approximately HK\$296,180,250). Pursuant to the Agreement B, the Vendor and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK\$1.09.

LETTER FROM THE BOARD

As advised by the holding company of Vendor B, the original acquisition cost incurred by it for the acquisition of the entire equity interest of Vendor B completed in December 2018 was approximately RMB423,000,000 (equivalent to approximately HK\$461,070,000). The said original acquisitions involved the simultaneous acquisition of the Vendor B's equity interest together with Assets B at that material time at a lump sum, therefore there is no original acquisition cost of the Assets B alone. As advised by Vendor B, the net book value of Asset B was approximately RMB351,830,000 (equivalent to approximately HK\$383,494,700) as at the time of the original acquisition. As at 30 June 2020, the net book value of Assets B was approximately RMB304,633,000. The difference in the net book value of Assets B between December 2018 and May 2020 is due to the accounting depreciation over the period from January 2019 to June 2020.

Pursuant to the Agreement B, within five Business Days after the Completion Date B, the Purchaser shall pay the Consideration B to the Vendor by issue of the Convertible Bond B, at the Issue Price, to the Vendor B and/or its nominee or by cash, at the sole discretion of the Purchaser. The Purchaser may pay the Consideration B partly by cash and partly by issue of the Convertible Bond B. Based on the current situation, the Board expects to settle the Consideration B by issue of Convertible Bond B. For Assets B, in valuing the plant and machinery of Assets B the Independent Valuer adopted the cost approach as the main valuation considering the specialized design and production layout of the subject plant and machinery and that it is a relatively new production equipment. The market approach was used to assess the reasonableness of the purchase prices of the subject plant and machinery. The income approach was found inappropriate since there is no available market rental data for similar solar panel manufacturing plants and discrete cash flows attributable to the subject plant and machinery. In valuing the property of Assets B the Independent Valuer adopted the term and reversion method of income approach we have taken into account the current rent receivable from the existing tenancy agreement and the reversionary potential of the property interests. In considering the reversionary value of the property, the Independent Valuer adopted the DRC approach which is a procedural valuation approach and is an application of the cost approach in valuing specialised property when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. For owner-occupied specialised property where it is impracticable to identify the market value by the sales comparison approach, the DRC approach is considered as the most appropriate approach.

As disclosed 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.

The Board has assessed the key assumptions and methodology adopted in the Valuation Reports B 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 when valuing specialised property such as the Assets B when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. For details of the Valuation Reports B, please refer to the Valuation Reports B in Appendix IV to this circular.

LETTER FROM THE BOARD

The Consideration B was determined by the Vendor B and the Purchaser on arm's length negotiations with reference to net book value of the Assets B of the Vendor B and then further adjusted pursuant to the valued amount of the Target Property B in accordance with the valuation reports to be prepared by the valuer jointly appointed by the Vendor B and the Purchaser. As such, the Board (other than Mr. Meng, who had abstained from voting at the relevant resolution of the Board meeting and will abstain from voting on the relevant resolutions at the SGM; but including the independent non-executive Directors who after taken into consideration of the recommendation from the Independent Financial Adviser) considers that the Consideration B is fair and reasonable and on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

Conditions precedent

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

- (a) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Conversion Shares;
- (b) the Independent Shareholders having passed the resolutions to approve the Agreement B, the transactions contemplated thereunder and the allotment and issue of the Conversion Shares under the Specific Mandate;
- (c) the Company having issued the relevant circular in relation to the Agreement B and the transactions contemplated thereunder in accordance with the Listing Rules;
- (d) the Valuation Reports B having been completed (to the satisfaction of the Purchaser); and
- (e) the Purchaser having received the documents (to its satisfaction) proving that the Assets B (including the interest of the Target Property A) have been duly transferred to the Purchaser or its nominee free from any encumbrances and third parties' rights.

None of the above conditions are waivable. If any of the above conditions has not been fulfilled by the Conditions Fulfillment Date, the Agreement B shall lapse. None of the parties shall claim against the other party save as the antecedent breach made by the parties of the Agreement B. As at the Latest Practicable Date, none of the conditions precedent has been fulfilled.

LETTER FROM THE BOARD

Completion B

The Completion B shall take place within five business days from the date that all of the relevant conditions for the Completion B having been fulfilled. It is expected that Completion B will take place around June 2021.

II. PRINCIPAL TERMS OF THE CONVERTIBLE BOND

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

Issuer:	the Company
Principal Amount:	Convertible Bond A: Not more than HK\$94,830,000 Convertible Bond B: Not more than HK\$296,180,250
Conversion Price:	HK\$38.00 per new Share, subject to adjustment
Maturity Date:	the date falling on the fifth anniversary from the Issue Date
Interest:	interest-free
Redemption:	<i>At maturity</i>

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

The Company does not have any early redemption right for the Convertible Bond.

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

- Conversion Restrictions: Conversion shall be subject to the following further conditions:
- (a) any exercise of Conversion Rights shall not trigger any mandatory offer under Rule 26 of the Takeovers Code, and in any event, any exercise of Conversion Rights shall not render the Company no longer maintain the minimum public float of the Shares required under the Listing Rules upon the Conversion;
 - (b) any exercise of Conversion Rights shall be subject to all applicable laws, rules and regulations, including but not limited to the Listing Rules and the Takeovers Code; and
 - (c) any conversion shall be in denominations and integral amounts of HK\$1,000,000.
- The above restrictions are collectively referred to as the “**Conversion Restrictions**”.
- Transferability:
- (a) the Convertible Bond (nor any part thereof) can be transferred without the prior written consent of the Company, save and except to a connected person of the Company
 - (b) any transfer of any Convertible Bond shall be in respect of the whole or any part (in an amount not less than HK\$1,000,000 or such other amount to be agreed by the Company) of the outstanding principal amount of that Convertible Bond
- Ranking: the obligations of the Company arising under the Convertible Bond constitute general, unsecured and unsubordinated obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law. Conversion Shares, when issued, shall rank pari passu in all respects with all other existing Shares in issue at the date of conversion

LETTER FROM THE BOARD

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

(a) consolidation and subdivision:

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

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

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

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

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

(b) capitalisation of profits or reserves:

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

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

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue

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

LETTER FROM THE BOARD

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

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

The Convertible Bond carries the right to convert into the Conversion Shares at the Conversion Price of HK\$38.00 per Conversion Share (subject to adjustment). Assuming the entire principal amount of the Convertible Bond has been issued and the Conversion Rights are exercised in full at the Conversion Price, 10,289,743 Shares, being the Conversion Shares may be allotted and issued to the respective Vendors and/or to their respective nominee subject to the Conversion Restriction, in aggregate representing approximately 16.72% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 14.32% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date to the their respective Completion Dates, save as the issue of the Conversion Shares). The details of the shareholdings are set out in the paragraph headed "EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" below.

Conversion Price

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

- (a) a premium of approximately 245.45% over the closing price of HK\$11.00 per Share as quoted on the Stock Exchange on date of the Agreement;
- (b) a premium of approximately 246.72% over the closing price of HK\$10.96 per Share as quoted on the Stock Exchange on Last Trading Day;
- (c) a premium of approximately 242.03% over the average closing price of HK\$11.11 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement;
- (d) a premium of approximately 237.18% over the average closing price of HK\$11.27 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day;
- (e) a discount of approximately 19.14% to the audited net asset value of approximately HK\$47.00 per Share of the Company as at 31 December 2019;
- (f) a premium of approximately 1.19% over the unaudited net asset value per Share of approximately HK\$37.55 per Share of the Company as at 30 June 2020; and
- (g) a premium of approximately 288.95% over the closing price of HK\$9.77 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

Basis of the Conversion Price

The Conversion Price was determined after arm's length negotiation between the Purchaser and the Vendors, with reference to the prevailing market price of the Share as shown above in the section headed "Conversion Price". The Directors (other than Mr. Meng, who had abstained from voting at the relevant resolution of the Board meeting and will abstain from voting on the relevant resolutions at the SGM; but including the independent non-executive Directors who after taken into consideration of the recommendation from the Independent Financial Adviser) consider that the Conversion Price, the Consideration and the terms and conditions of the Agreements are fair and reasonable, based on the current market conditions, on normal commercial terms and in the interests of the Group and the Shareholders as a whole.

The Board (other than Mr. Meng, who had abstained from voting at the relevant resolution of the Board meeting and will abstain from voting on the relevant resolutions at the SGM) noted that the Conversion Price represents a discount of approximately 19.14% to the audited net asset value of approximately HK\$47.00 per Share of the Company as at 31 December 2019. The Board further noted that during the period from 3 February 2020 (about five months prior to the Last Trading Day) up to the Last Trading Day, the Shares had been consistently traded at a discount to the net asset value per Share, ranging from approximately 73.0% to 84.5%, with an average of approximately 77.1%. Further, the Conversion Price is comparatively much higher than the prevailing market prices of the Shares as shown above. Save as disclosed basis, the Company has not considered other factors in determining the Conversion Price.

Accordingly, the Board considers that it would be more appropriate to determine the Conversion Price with reference to the prevailing market prices of the Shares, which reflect the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the net asset value per Share.

Further, although the Board observed that it is common for listed issuers in Hong Kong to set the conversion price per Share at a discount to the closing prices of the Shares, in order to protect the interest of the Company and its Shareholders as a whole, the Board insisted to set the Conversion price at substantial high premium instead for the interest of the Company and the Shareholders as a whole. After various arm's length negotiation between the Purchaser and the Vendors, the Board requested for the Conversion Price to be set at a relatively high price as compared to the prevailing market price, to maximize the interest of the Company and its Shareholders as a whole.

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

LETTER FROM THE BOARD

III. APPLICATION OF LISTING

The Conversion Shares will be allotted and issued under the Specific Mandate to be approved by the Independent Shareholders at the SGM. The Specific Mandate will cease to be effective if any of the Condition(s) has not been satisfied on or before the Conditions Fulfillment Date which the parties have now extended to 30 December 2021 which is 6 months after the expected Completion date. In such case, the Company will have ample buffer time for compliance with the applicable Listing Rules, and seek approval from its Shareholder(s) or Independent Shareholder(s) where required.

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

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

IV. INFORMATION OF THE VENDORS

As informed by the Vendor A, the Vendor A is a company established in the PRC with limited liability in May 2016, which is principally engaged in, among other things, development, production, processing and sales of industrial automation control equipment, smart card equipment, industrial robots and photovoltaic solar cells and components.

As informed by the Vendor B, the Vendor B is a company established in the PRC with limited liability in December 2016, which is principally engaged in, among other things, development, production, processing and sales of silicon raw materials (矽原料), monocrystalline silicon wafers (單晶矽片), polycrystalline silicon wafers (多晶矽片) and etc.

As at the Latest Practicable Date, the Vendors are indirectly wholly owned by Mr. Meng, an executive Director of the Company and chairman of the Board, and his spouse, therefore the Vendors are associates of Mr. Meng and a connected person of the Company under the Listing Rules.

V. INFORMATION OF THE PURCHASER

As at the Latest Practicable Date, the Purchaser, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, is principally engaged in production and sale of photovoltaics products monocrystalline silicon, solar stent and related products.

VI. INFORMATION OF THE GROUP

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 solar photovoltaic products.

LETTER FROM THE BOARD

VII. REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group's solar photovoltaic operations are principally engaged in business including manufacturing and sales of monocrystalline silicon, polycrystalline silicon, silicon wafers, solar cells, and solar modules.

The Acquisitions will provide the opportunity to the Company to generate rental income from leasing of Assets B with annual rental income of RMB45,000,000 and further expand its business in manufacturing and sales of photovoltaic products with the view to generate more revenue to the Group as Assets A and Assets B include various equipments relating to the production and manufacturing of photovoltaic related products. By acquisition of the Assets A, the Group can increase its production capacity in photovoltaic products. By acquisition of the Assets B, the Group can generate rental income by leasing out Target Property B.

The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC. The Group believes the Target Property A and the Target Property B located in Jiangsu Province have positive appreciation potential. As the Consideration may be fully or partly satisfied by the issue of the Conversion Shares under the Convertible Bond, the Company may not face any immediate cash outflow for the Consideration, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate. Although the Acquisitions provides benefit to the Group, the Acquisitions also has disadvantages, namely, the potential dilution effect to the Shares if the Purchaser settles the consideration by convertible bonds. The Board had considered alternative settlement methods for the Considerations such as cash payment or debt financing. However, cash payment would significantly decrease the Group's cash flow which would not be in the interests of the Group as it intends to maintain a strong cash position for business development and operation of the Group. Since the maturity date of the Convertible Bond is the date falling on the fifth anniversary from the issue date of the Convertible Bond, the Company will not face any immediate cash outflow. In respect of bank borrowings, the Board was of the view that debt financing may be subject to lengthy due diligence and negotiations, and it may also incur interest expenses which would increase financial burden to the Company. Further, the Board also explored equity financing methods such as placing of shares, rights issue and open offer, but there are difficulties in attracting investors and this may cause an even large dilution effect.

The Board (including the independent non-executive Directors (who have considered the opinion and advice from the Independent Financial Adviser)) believes the benefits of the Acquisitions outweigh the disadvantage.

As at the Latest Practicable Date, saved as disclosed in announcements of the Company, the Company has no intention or plan, and has not entered into or proposed to enter into any agreement, arrangement, understanding or undertaking to acquire any new business or dispose its existing business.

Accordingly, the Board (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; but including the independent non-executive Directors (who have considered the opinion and advice from the Independent Financial Adviser) is of the view that the Conversion Price, the Consideration, terms of the Agreements including the terms for issue of the Convertible Bond and the Conversion Shares, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

VIII. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 61,543,075 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 following the Completion and assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding; and (iii) immediately following the Completion and assuming full conversion of 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 following the Completion and assuming full conversion of the Convertible Bond into Conversion Shares and all existing convertible bonds issued by the Company remain outstanding		(iii) Immediately following the Completion and assuming full conversion of 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						
Huajun Group Limited (Note 1)	44,450,619	72.23%	44,450,619	61.88%	44,450,619	56.81%
Mr. Meng (Note 2)	824,200	1.34%	824,200	1.15%	824,200	1.05%
Vendor A	-	-	2,495,526	3.47%	2,495,526	3.19%
Vendor B	-	-	7,794,217	10.85%	7,794,217	9.96%
Sub-total	45,274,819	73.57%	55,564,562	77.35%	55,564,562	71.01%
Holders of existing convertible bonds (Note 3)	-	-	-	-	6,411,764	8.19%
Other public shareholders	16,268,256	26.43%	16,268,256	22.65%	16,268,256	20.80%
Total	61,543,075	100.00%	71,832,818	100.00%	78,244,582	100.00%

Notes:

1. Huajun Group Limited is also interested in certain convertible bonds for which, if exercised in full, a total of 31,715,789 conversion shares shall be issued.
2. Apart from 824,200 Shares held by Mr. Meng directly, Mr. Meng is also personally holding 387,351 share options. Mr. Meng is deemed to be interested in the shares held by Huajun Group Limited. Mr. Meng is also interested in certain convertible bonds for which, if exercised in full, a total of 44,839,532 shares shall be issued.

LETTER FROM THE BOARD

3. 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. The holders of existing convertible bonds are Independent Third Parties.

The above shareholdings of the Company set out in the above table are for illustration purpose only. As one of the Conversion Restrictions is that any exercise of Conversion Rights shall not trigger any mandatory offer under Rule 26 of the Takeovers Code, and in any event, any exercise of Conversion Rights shall not render the Company no longer maintain the minimum public float (i.e. 25%) of the Shares required under the Listing Rules upon the Conversion, the collective shareholding in the Company held by Mr. Meng, Huajun Group Limited and their respective associates shall never reach more than 75%. The allotment and issue of the Conversion Shares will not result in a change of control of the Company.

IX. EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD IMMEDIATELY PRECEDING THE DATE OF THE ANNOUNCEMENT

During the past 12 months immediately preceding the date of the Announcement, the Company has conducted the following equity fund raising activities:

Date of announcement	Event	Net Proceeds		
		(approximately)	Intended use of proceed	Actual use of proceeds
22 January 2020	Issue of convertible bonds under specific mandate	Approximately HK\$999,500,000	HK\$537,600,000 for repayment of borrowings	Not applicable as the subscription has lapsed on 1 July 2020
			HK\$168,000,000 for capital expenditure for high-end printing and packaging production base	(please refer to announcement of the Company dated 2 July 2020)
			HK\$293,900,000 for general working capital	

X. FINANCIAL EFFECT OF THE ACQUISITION

Immediately upon the Completion, the assets of the Group would have increased by approximately RMB490.9 million and the liabilities of the Group would have increased by approximately RMB358.7 million, and the net assets would have increased by approximately RMB132.2 million. The increase in net assets represents the excess between the aggregate fair value of Assets A and Assets B as at 15 August 2020 over the aggregate amount of Consideration A and Consideration B. Immediately upon the Completion, the earnings of the Group would remain unchanged.

LETTER FROM THE BOARD

XI. IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisitions exceed 25% but fall below 100%, the Acquisitions constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the announcement and shareholders' approval requirements.

As at the Latest Practicable Date, the Vendors are indirectly wholly owned by Mr. Meng, an executive Director of the Company and chairman of the Board, and his spouse. Mr. Meng holds 824,000 Shares of the Company directly and is deemed to be interested in the 44,450,619 Shares held by Huajun Group Limited. Madam Bao Le, being the spouse of Mr. Meng, was deemed to be interested in the same. The Vendors do not hold any Shares of the Company. Accordingly, the Vendors are associates of Mr. Meng, a connected person of the Company, and the transaction contemplated under the Agreements constitute connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios for the Acquisitions exceeds 5%, the Acquisitions 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.

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

XII. RECOMMENDATION

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

LETTER FROM THE BOARD

XIII. SGM

A SGM will be held on 23 November 2020 at 3:00 p.m. at Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong, during which resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among other matters, approve the Agreement, the transactions contemplated thereunder and the issue of the Convertible Bond under the Specific Mandate.

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

XIV. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 18 November 2020 to Monday, 23 November 2020 (both dates inclusive), for the purpose of determining the entitlements of the Shareholders to attend and vote at the SGM. No transfer of the Shares will be registered during this period. Shareholders whose names appear on the register of members of the Company on Wednesday, 18 November 2020 shall be entitled to attend and vote at the SGM. In order to qualify to attend and vote at the SGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 17 November 2020.

LETTER FROM THE BOARD

XV. 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



CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(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

5 November 2020

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF ASSETS
INVOLVING ISSUE OF CONVERTIBLE BOND
UNDER SPECIFIC MANDATE**

We refer to the circular dated 5 November 2020 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 Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate, and to advise the Independent Shareholders as to whether the terms of the Agreements and the transactions contemplated thereunder, including the issue of Convertible Bond under the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Although the Acquisitions are not in the ordinary and usual course of business of the Company, upon taking into account the recommendation of the Independent Financial Adviser, we consider that the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate are on normal commercial terms or better and in the 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 resolutions to be proposed at the SGM to approve the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate.

Yours faithfully,

Zheng Bailin
Independent
Non-executive Director

Shen Ruolei
Independent
Non-executive Director

Pun Chi Ping
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 5 November 2020 prepared for the purpose of inclusion in this circular.

Nuada Limited

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5 November 2020

*To the Independent Board Committee
and the Independent Shareholders of
China Huajun Group Limited*

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF ASSETS INVOLVING ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate, details of which are set out in the section headed "Letter from the Board" (the "**Board Letter**") in the Company's circular dated 5 November 2020 to the Shareholders, of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

As disclosed in the Board Letter, on 30 June 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement A with the Vendor A for the acquisition of Assets A at the Consideration A of RMB87,000,000 (equivalent to approximately HK\$94,830,000). On the same day, the Purchaser also entered into the Agreement B with the Vendor B for the acquisition of Assets B at the Consideration B of RMB271,725,000 (equivalent to approximately HK\$296,180,250). According to the Management, currently the Target Property B is a manufacturing plant, which was currently leased out to independent third party for a period of 5 years commencing from 17 December 2018 to 16 December 2023 at the annual rent of RMB45,000,000 (equivalent to approximately HK\$49,050,000).

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As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisitions exceed 25% but fall below 100%, the Acquisitions constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting, announcement and shareholders' approval requirements.

As at the Latest Practicable Date, the Vendors are indirectly wholly owned by Mr. Meng, an executive Director of the Company and chairman of the Board, and his spouse, Madam Bao Le. Mr. Meng holds 824,000 Shares of the Company directly and is deemed to be interested in the 44,450,619 Shares held by Huajun Group Limited. Madam Bao Le was deemed to be interested in the same. The Vendors do not hold any Shares of the Company. Accordingly, the Vendors are associates of Mr. Meng, a connected person of the Company, and the transaction contemplated under the Agreements constitute connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios for the Acquisitions exceeds 5%, the Acquisitions 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.

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

The Independent Board Committee has been established to consider the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate, and to advise the Independent Shareholders as to whether the terms of the Agreements and the transactions contemplated thereunder, including the issue of Convertible Bond under the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate.

During the past two years, we acted as the independent financial adviser of the Company in respect of another notifiable transaction providing our independent view to the Company's independent board committee and the independent shareholders (please refer to the Company's circular dated 7 September 2020 for the detailed information of the aforesaid transaction). Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in this circular and the information and representations provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have no reason to believe that any information or representation relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in this circular, which have been provided by the Company, the Directors and the Management and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of this circular, the Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in this circular and have confirmed in this circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in this circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in this circular misleading.

Our review and analysis were based upon, among other things, including (i) the Agreements; (ii) the Valuation Reports A and the Valuation Reports B (together as “**Valuation Reports**”) prepared by LCH (Asia-Pacific) Surveyors Limited (the “**Valuer**”); (iii) the tenancy agreement signed by Vendor B and an independent third party regarding the leasing of Target Property B; and (iv) this circular. We have also relied on the official statistics available from the online database of the National Bureau of Statistics of China (“**National Bureau**”) and the published announcements available from the Stock Exchange.

We consider that we have reviewed sufficient information, including relevant information and documents provided by the Company and the Directors and the information published by the Company, to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in this circular to provide a reasonable basis for our opinions and recommendations. We have not, however, carried out any independent verification of the information provided by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business and affairs, financial condition and future prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in respect of the Acquisitions, we have taken into consideration the following principal factors and reasons:

1. Background information on the Acquisitions

(a) Information of the Group

According to the Management and the Board Letter, the Group is principally engaged in (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 solar photovoltaic products.

Set out below are the summary of the financial information of the Group for the period from 1 April 2018 to 31 December 2018 (“FY2018”) and for the year ended 31 December 2019 (“FY2019”) as extracted from the annual report of the Group for FY2019 (the “Annual Report”), and two six-month periods ended 30 June 2019 (“FP2019”) and 2020 (“FP2020”) as extracted from the interim report of the Group for the six months ended 30 June 2020 (the “Interim Report”):

Table 1: Consolidated income statement of the Group

	For the six months ended 30 June 2020 RMB'000 (Unaudited)	For the six months ended 30 June 2019 RMB'000 (Unaudited)	For the year ended 31 December 2019 RMB'000 (Audited)	For the period from 1 April 2018 to 31 December 2018 RMB'000 (Audited)
Revenue	1,584,001	1,785,555	3,699,606	2,649,485
– Goods and services	1,575,008	1,773,623	3,675,741	2,609,167
– Finance lease income	407	127	127	953
– Interest income from provision of finance	1,291	787	2,064	6,590
– Rental income from property investments	6,242	2,779	9,615	22,139
– Dividend from securities investments	837	3,485	5,374	5,081
– Others	216	4,754	6,685	5,555
Gross profit	136,143	143,625	304,202	83,918
(Loss)/Profit for the year/period	(533,539)	(244,830)	(633,755)	(396,111)

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Table 2: Consolidated statement of financial position of the Group

	As at 30 June 2020	As at 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Current assets	9,166,488	9,292,799
– Restricted bank balance	16,585	69,109
– Pledged bank deposits	23,363	313,265
– Bank balances and cash	360,057	270,836
Non-current assets	8,323,577	8,362,696
Total assets	17,490,065	17,655,495
Current liabilities	8,676,338	7,798,171
Non-current liabilities	6,613,968	7,136,100
Total liabilities	15,290,306	14,934,271
Total equity	2,199,759	2,721,224

For FY2019

The Group recorded revenue of approximately RMB3,699.6 million for FY2019, which represents an increase of approximately 39.6% as compared to approximately RMB2,649.5 million for FY2018. According to the Annual Report, such significant increase was mainly attributable to the increase in revenue generated from sales of properties upon delivery of certain completed property projects to customers during FY2019. The gross profit margin of the Group has increased from approximately 3.2% in FY2018 to approximately 8.2% for FY2019. According to the Management and the Annual Report, the increase in gross profit margin was mainly due to the change of revenue mix with revenue from sales of property which earning a higher gross profit margin compared to largest contribution of trading revenue earning a lower profit margin.

The Group recorded a net loss for FY2019 of approximately RMB633.8 million as compared with that of approximately RMB396.1 million for FY2018. As discussed with the Management, such net loss for FY2019 was mainly due to the combined effects of (i) the increase of selling and distribution expenses from approximately RMB93.2 million in FY2018 to approximately RMB152.0 million in FY2019; (ii) the increase of administrative expenses from approximately RMB333.6 million in FY2018 to approximately RMB380.2 million in FY2019; (iii) the increase of finance costs from approximately RMB444.3 million in FY2018 to approximately RMB572.3 million in FY2019; and (iv) the except of the reversal of impairment loss of approximately RMB261.7 million that recorded in FY2019.

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For FP2020

As the financial year end date of the Company has been changed from 31 March to 31 December since the financial year ended 31 December 2018 according to the Company's announcement dated 7 May 2018, the financial period of FY2019 (which covers a period of twelve months from 1 January 2019 to 31 December 2019) which may not entirely comparable with FY2018 (which covers a period of nine months from 1 April 2018 to 31 December 2018). Accordingly, we also looked at the financial figures in FP2019 and FP2020 for reference.

According to the Interim Report and the Management, the Group recorded a decrease in revenue from approximately RMB1,785.6 million for FP2019 to approximately RMB1,584.0 million for FP2020, representing a decrease of approximately 11.3%. Such decrease was attributable to the decrease in revenue generated from printing segment and trading and logistics segment of the Group which were mainly due to decrease in sales orders as a result of the Novel Coronavirus ("COVID-19") outbreak which lead to uncertain macroeconomic environment and poor consumption appetite. However, the gross profit margin increased slightly from approximately 8.0% for FP2019 to approximately 8.6% for FP2020. With reference to the section headed "Management discussion and analysis" in the Interim Report, the printing segment of the Group registered a stable growth in gross profit margin during FP2020 and the Group recognised revenue of approximately RMB339.4 million from sale of properties which brought a higher profit margin for FP2020, as such leading to the increase in gross profit margin.

As at 30 June 2020, the total assets of the Group were approximately RMB17.5 billion, which represents a slight decrease of approximately 1.1% as compared to approximately RMB17.7 billion as at 31 December 2019. The total liabilities recorded a slight increase from approximately RMB14.9 billion as at 31 December 2019 to approximately RMB15.3 billion as at 30 June 2020, which was mainly due to the increase of trade and other payables, and other liabilities from approximately RMB1.1 billion as at 31 December 2019 to approximately RMB1.8 billion as at 30 June 2020. Based on the above, the total equity of the Group decreased slightly from approximately RMB2.7 billion as at 31 December 2019 to approximately RMB2.2 billion as at 30 June 2020.

According to the Management and the Annual Report, the Group has suffered loss for the period from continuing operation since the financial year ended 31 March 2018. We are of the view and concur with the view of the Management that the Group is in need to broaden their income stream and the enter into the acquisition of Assets B is an opportunities for the Group to generate stable rental income from the Target Property B (Please refer to the section headed "2. Reasons for and benefits of the Acquisitions" below in this letter for detailed analysis).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) *Information of the Assets*

Assets A

With reference to the Agreement A, the Vendor A has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Assets A at the Consideration A of RMB87,000,000 (equivalent to approximately HK\$94,830,000). The Assets A comprises the land use rights and building portions of the Target Property A and various equipment relating to the production and manufacturing of photovoltaic related products, such as scribing machine* (劃線機), automatic string welding machine* (自動串焊機) and battery string automatic laying tandem machine* (電池串自動鋪設串聯機), etc.

With reference to the Board Letter and the Valuation Reports A, the Target Property A is situated at Guozhuang Town Airport Industrial Concentration Zone, Jurong City, Jiangsu Province, the PRC for industrial use with a total site area of approximately 65,713.00 square metres and a total gross floor area of approximately 41,833.57 square metres. As advised by the Management, currently the Target Property A is a manufacturing plant which is available for production of photovoltaic related products. Please refer to the paragraph headed "Acquisition A" in the Board Letter for the details of the Target Property A which include the information of the mortgages that the Target Property A is subject to and which will be settled in full by Vendor A and be released on or before Completion according to the Management.

As confirmed by the Management and as stated in the Board Letter, the Group has entered into rental agreement with Vendor A to rent Assets A for manufacturing photovoltaic products for the period from 1 March 2019 to 30 December 2020 and Vendor A did not charge for any rental fee. The Group would use it to manufacture photovoltaic related products when its owned production capacity is not sufficient to fulfil the received orders. For the reasons and benefit of acquiring Assets A, please refer to the section headed "2. Reasons and benefits of the Acquisitions" below in this letter.

Assets B

With reference to the Agreement B, the Vendor B has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Assets B at the Consideration B of RMB271,725,000 (equivalent to approximately HK\$296,180,250). The Assets B comprises the land use rights and building portions of the Target Property B and various equipment relating to the production and manufacturing of photovoltaic related products, such as automatic washing machine* (全自動清洗機), automatic degumming machine* (全自動脫膠機) and diamond wire cutting machine* (金剛線截斷機), etc.

* For identification purpose only

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With reference to the Board Letter and according to the Valuation Reports B, the Target Property B is a manufacturing plant and erected on the land parcel situated at Guozhuang Town, Jurong City, Jiangsu Province, the PRC for industrial use with the total land area of approximately 107,326 square metres and gross floor area of approximately 44,051.95 square metres. Pursuant to the Agreement B, 49 mu* (畝) (equivalent to approximately 32,666 sq.m.) of the said land parcel will not form part of the Assets B as this portion was excluded in the original acquisition by the Vendor B in 2018 according to the Management. As such, the total land area of the Target Property B is approximately 74,660 square metres. Please refer to the paragraph headed “Acquisition B” in the Board Letter for the details of the land use rights of the Target Property B and the mortgage that the Target Property B are subject to and which will be settled in full by Vendor B and be released on or before Completion according to the Management.

According to the Management, currently the Assets B is currently leased out to Jurong branch of Suzhou GCL Photovoltaic Technology Co., Ltd.* (蘇州協鑫光伏科技有限公司句容分公司), an independent third party to the Company and Vendor B according to the Management, for a period of 5 years commencing from 17 December 2018 to 16 December 2023 at the annual rent of RMB45,000,000 (equivalent to approximately HK\$49,050,000) pursuant to the tenancy agreement dated 17 December 2018 and supplemental tenancy agreement dated 11 February 2019.

2. Reasons for and benefits of the Acquisitions

As stated in the Annual Report and according to the Management, the Group has been actively seeking for investment opportunities through acquisitions. The Company’s strategy is to diversify their business portfolio, and continue to grow, both organically and through strategic acquisitions. With reference to the Board Letter, the Group’s solar photovoltaic operations are principally engaged in business including manufacturing and sales of monocrystalline silicon, polycrystalline silicon, silicon wafers, solar cells, and solar modules. According to the Management, the Acquisitions will provide the opportunity to the Company to generate rental income from leasing of Assets B and further expand its business in manufacturing and sales of photovoltaic products.

As the maturity date of the Convertible Bond is the date falling on the fifth anniversary from the issue date of the Convertible Bond, the Company will not face any immediate cash outflow for the Considerations, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate. As confirmed by the Management, as at the Latest Practicable Date, the Management intends to fully settle the Considerations by issuing Convertible Bond. For reference purpose, according to the Interim Report, the bank balances and cash of the Group as at 30 June 2020 was approximately RMB360.1 million, which is also sufficient for funding of the Considerations (i.e. RMB358.7 million).

* For identification purpose only

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As confirmed by the Management and as stated in the Board Letter, the Group has entered into rental agreement with Vendor A to rent Assets A for manufacturing photovoltaic products for the period from 1 March 2019 to 30 December 2020 and Vendor A did not charge for any rental fee. The Group's existing manufacturing and production facilities (if not taking into account Assets A) for manufacturing solar photovoltaic products were insufficient to handle the customer's orders as they have received enquiries from potential customers to place orders in late 2020. According to the production output data provided by the Management, the production output of Assets A during January 2020 to July 2020 represents approximately 27% of the total production output of (i) the Group's own production output; and (ii) Assets A's production output during January 2020 to July 2020. According to the Management, at the beginning of 2020, Vendor A has informed the Management that they have intention to dispose Assets A upon the expiration of the aforesaid rental agreement and confirmed the same to the Management in June 2020. The Board is of the view that the acquisition of the Assets A will be able to support the usage need of the Group's solar photovoltaic operations. The Board has analysed the costs of alternative options available to the Group in Jurong city as compared to acquiring Assets A. The Management noticed that there is no similar rental and acquisition option and estimated that the Group, apart from the specialised machinery required, would need to pay approximately RMB138.3 million to purchase similar gross floor area of land use rights and construct specialised manufacturing plants similar to Target Property A, which is approximately 59.0% higher than Consideration A.

We intended to look for official statistics specifically regarding the trend of selling price of manufacturing plants in Jiangsu province in recent years, however, there is no public available statistics. Instead, we noted that from the latest information available in the online data base of National Bureau, the total sale of house for business use sold in Jiangsu province, where Target Property A and Target Property B locate at, has recorded increasing trend from approximately RMB72.6 billion in 2015 to approximately RMB130.4 billion in 2018, which represents a compound annual growth rate of approximately 21.6%. The average selling price of houses for business use in Jiangsu province has also increased from approximately RMB9,976 per square metre in 2015 to approximately RMB16,043 per square metre in 2018. Based on the above, we are of the view and concur with the view of the Management that acquiring Assets A is in the interests of the Group as compared to alternative options as stated above.

With reference to the Board Letter, the Target Property B is currently leased out to independent third party for a period of 5 years commencing from 17 December 2018 to 16 December 2023 at the annual rent of RMB45,000,000 (equivalent to approximately HK\$49,050,000). As discussed with the Management, the total rental fee from 17 December 2020 to 16 December 2023 will cover approximately 50% of Consideration B. According to the Management, the Company insist to continue to rent to the aforesaid independent third party under the current rental agreement and may consider to be used by the Group as development of the Group's photovoltaic manufacturing business if it is necessary when current rental agreement expire.

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As Assets A and Assets B comprise manufacturing plants and equipment relating to the production and manufacturing of photovoltaic related products, we attempt to look at the industry outlook of the renewable energy and photovoltaic industry in PRC.

National Energy Administration (國家能源局) (“**Energy Administration**”) issued the “Notice on Planning Work on the 14th Five-Year Plan for the Development of Renewable Energy*” (國家能源局綜合司關於做好可再生能源發展“十四五”規劃編製工作有關事項的通知) (http://zfxgk.nea.gov.cn/2020-04/09/c_138978661.htm) in April 2020. The Energy Administration emphasised the planning of the development of renewable energy in the PRC will prioritise the development of local decentralised and distributed renewable energy resources and promote the utilisation of renewable electricity, heat and gas, etc. They also encouraged energy storage to increase the regional energy supply of renewable energy in the proportion. The Energy Administration also issued the “Notice on Coal Power Industry Phase-out Notification of Outdated Production Tasks 2020*” (國家能源局關於下達2020年煤電行業淘汰落後產能目標任務的通知) (http://zfxgk.nea.gov.cn/2020-07/14/c_139234797.htm) in July 2020 and strive to further eliminate obsolete coal power production capacity in PRC in 2020.

In order to support stable development of the photovoltaic industry in the PRC, the Energy Administration issued “Notice on Wind Power and Photovoltaic Power Generation Construction Projects Related Matters 2020*” (國家能源局關於2020年風電、光伏發電項目建設有關事項的通知) (http://zfxgk.nea.gov.cn/2020-03/05/c_138862190.htm) in March 2020, the PRC official authorities are encouraged to, among others, to promote the reduction of non-technical costs and create positive investment environment for wind power and photovoltaic power generation in the PRC.

Having considered that (i) the Group’s manufacturing and production facilities (if not taking into account Assets A) for manufacturing solar photovoltaic products were insufficient to handle the customer’s orders and the alternative options are not as beneficial to the Group as compared to acquiring Assets A as stated above; (ii) the increasing total sales and average selling price of house for business use in Jiangsu province in the PRC as stated above; (iii) the Target Property B can provide stable rental income to the Group; (iv) the recent supportive official policies announced by the PRC authorities for the development of the photovoltaic industry in the PRC as stated above; and (v) the maturity date of the Convertible Bond is the date falling on the fifth anniversary from the issue date of the Convertible Bond and the Company will not face any immediate cash outflow for the Considerations; we are of the view and concur with the view of the Management that the Acquisitions is in the interest of the Company and the Shareholders as a whole.

* For identification purpose only

3. Principal terms of the Agreements

(a) Considerations for the Acquisitions

Consideration A

The consideration for the Assets A shall be RMB87,000,000 (equivalent to approximately HK\$94,830,000) or the said valued amount of the Assets A, whichever is the lower. Pursuant to the Valuation Reports A, the valued amount of the Assets A is RMB138,875,310. Accordingly, the consideration for the Assets A shall remain as RMB87,000,000 (equivalent to approximately HK\$94,830,000). Pursuant to the Agreement A, the Vendor A and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK\$1.09.

With reference to the Board Letter, the Consideration A was determined by the Vendor A and the Purchaser on arm's length negotiations with reference to the net book value of the Assets A of the Vendor A and then further adjusted pursuant to the valued amount of the Assets A in accordance with the Valuation Reports A in Appendix III to this circular.

For the details of how the Consideration A was determined by the Purchaser and the Vendor, please refer to the paragraph headed "Consideration A" under the section headed "I. The Acquisitions" in the Board Letter.

Consideration B

The consideration for the Assets B shall be RMB271,725,000 (equivalent to approximately HK\$296,180,250) or the said valued amount of the Assets B, whichever is the lower. Pursuant to the Valuation Reports B, the valued amount of the Assets B is RMB351,646,180. As a result, the consideration for the Assets B shall remain as RMB271,725,000 (equivalent to approximately HK\$296,180,250). Pursuant to the Agreement B, the Vendor and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK\$1.09.

With reference to the Board Letter, the Consideration B was determined by the Vendor B and the Purchaser on arm's length negotiations with reference to net book value of the Assets B of the Vendor B and then further adjusted pursuant to the valued amount of the Target Property B in accordance with the Valuation Reports B in Appendix IV to this circular.

For the details of how the Consideration B was determined by the Purchaser and the Vendor, please refer to the paragraph headed "Consideration B" under the section headed "I. The Acquisitions" in the Board Letter.

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Valuation Reports A and Valuation Reports B

Given that the Considerations were determined with reference to, among other factors, the valued amount of Assets A and Assets B, we have reviewed the Valuation Reports A and Valuation Reports B prepared by LCH (Asia-Pacific) Surveyors Limited, the independent valuer to the Company in respect of the Acquisitions (the “Valuer”), as set out in Appendix III to this circular for valuation of Assets A and Appendix IV to the circular for valuation of Assets B and discussed with the Valuer regarding the methodology of and the principal bases and assumptions adopted for the valuation of Assets A and Assets B.

According to the Valuer, the Valuation Reports has been prepared in line with the reporting requirements contained in chapter 5 of the Listing Rules and the reporting guidelines set by the International Valuation Standards (“IVS”) published by the International Valuation Standards Council and relied on the PRC Legal Opinion. For our due diligence purpose, we have (i) discussed with the relevant staff of the Valuer regarding the methodology used, principal bases and assumptions adopted in the Valuation Reports; (ii) reviewed the terms of engagement of the Valuer with the Company; (iii) enquired the staff of the Valuer’s qualification and experience who are responsible for the preparation of the Valuation Reports; (iv) enquired the underlying calculations of the Valuation Reports A and the Valuation Reports B and the information of the comparable land transactions adopted by the Valuer; and (v) discussed with the Valuer and understood that the Valuer has included all of the most suitable comparable land transactions meeting the selection criteria as identified by them based on their best information, knowledge and belief. Please refer to the Valuation Reports for detailed description of the valuation assumptions and the methodology adopted by the Valuer in the Valuation Reports.

We asked the Company to provide the engagement letter with the Valuer to review its engagement. Based on the aforesaid engagement letter and our discussion with the Valuer in relation to their terms of engagement, in particular, their scope of work including to prepare the Valuation Reports, detailing their investigations, market comparables, analysis and findings which have been based upon in arriving at the Valuer’s opinion of value and related works. After discussion with the Valuer, we noted that the scope of work of this engagement is normal and there is no limitation on the scope of work which might adversely impact on the degree of assurance given by them in their reports. Based on the above, we consider that their scope of work is appropriate to the opinion required to be given.

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According to the Valuation Reports A and the Valuation Reports B, the real property portions of Valuation Reports A and the Valuation Reports B are responsible by Elsa Ng Hung Mui and J. Junior Ho. The plant and machinery portions of the Valuation Reports A and the Valuation Reports B are responsible by Rolando R. Arcaya. According to the information provided by the Valuer, we noted that Elsa Ng Hung Mui is (i) a member of the of the Royal Institution of Chartered Surveyors; (ii) a fellow member of The Hong Kong Institute of Surveyors; (iii) a Registered Professional Surveyor of Hong Kong (General Practice Division); (iv) an individual member (Appraisal) of the China Institute of Real Estate Appraisers and Agents; and (v) one of the 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 Hong Kong Institute of Surveyors, with over 26 years of experience in performing valuation for real properties in Hong Kong, Macau and the PRC. She has also been responsible for issuing valuation reports on various properties including commercial and residential properties in Hong Kong and the PRC, in relation to 18 notifiable transactions conducted by listed companies in Hong Kong or their subsidiaries and five initial public offerings projects in Hong Kong in the recent three years.

J. Junior Ho is (i) a corporate member of The Hong Kong Institute of Surveyors (General Practice Division) (Planning & Development); (ii) a Registered Professional Surveyor of Hong Kong (General Practice Division); (iii) a full member of the Hong Kong Institute of Planners; and (iv) a member of BEAM Professional of the Hong Kong Green Building Council (New Building & Existing Building). He has over 10 years of experience in performing valuation for real properties in Hong Kong, Macau, Taiwan, the PRC, Canada, the United Kingdom, France, Singapore, Guyana, Samoa, Argentina and Vietnam. He has also been responsible for issuing valuation reports on various properties including commercial and residential properties in Hong Kong and the PRC, in relation to nine notifiable transactions conducted by listed companies in Hong Kong or their subsidiaries and two initial public offerings projects in Hong Kong in the recent three years.

Rolando R. Arcaya is a mechanical engineer and a senior accredited appraiser (ASA designation) of the American Society of Appraisers in the discipline of machinery and technical specialties/machinery and equipment. He has over 30 years plant and machinery valuation experience of which over 25 years were spent in Hong Kong and the PRC. He has also been responsible for issuing valuation reports on machinery and equipment in Hong Kong and the PRC in relation to more than 10 notifiable transactions conducted by listed companies in Hong Kong or their subsidiaries and 19 initial public offerings projects in Hong Kong.

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(i) Valuation of Target Property A and Target Property B

With reference to the Valuation Reports A and Valuation Reports B as set out in Appendix III and Appendix IV in this circular respectively, the Valuer has adopted the depreciated replacement cost approach for the valuation of the Target Property A and Target Property B. As discussed with the Valuer, the depreciated replacement cost approach is a procedural valuation approach and is an application of the cost approach in valuing specialised property when there is no readily identifiable market sale comparable and the buildings cannot be valued by comparable market transactions. Regarding the selection of valuation methodology, we've enquired the Valuer whether alternative valuation methods have been considered and they are of the view that for owner-occupied specialised property where it is impracticable to identify the market value by sales comparison approach, the depreciated replacement cost approach is considered as the most appropriate approach.

According to the Valuer, the use of depreciated replacement cost 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 real property.

We have reviewed the work records provided by the Valuer and noted that the valuation of land use rights of Target Property A and Target Property B have been determined from five comparable land transactions ("**Land Comparables**"). Details of which are set out in the Valuation Reports A and the Valuation Reports B. We have discussed with the Valuer and noted that the Land Comparables are selected based on that (i) the Land Comparables are located at the same district as Target Property A and Target Property B respectively; (ii) the transaction dates of these Land Comparables are within 2020; (iii) the size of these Land Comparables are within comparable size to the Target Property A and Target Property B; and (iv) the Land Comparables have similar land usage as Target Property A and Target Property B. The Valuer is of the view that the abovementioned factors are normal factors to consider when they select comparables for land and property transactions. Having considered the above, i.e., (i) the Land Comparables are located at the same district as Target Property A and Target Property B respectively; (ii) the transaction dates of these Land Comparables are

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within 2020 which is close to the date of the Agreements; (iii) the size of these Land Comparables are within comparable size to the Target Property A and Target Property B; and (iv) the Land Comparables have similar land usage as Target Property A and Target Property B, we are of the view that the Land Comparables are adequate for the valuation.

For the valuation of the building portion of Target Property A and Target Property B, we have reviewed the work records provided by the valuer and noticed that they have taken into consideration of, among others, the adopted unit rate based on the tender notice from the local official authorities, the replacement costs and the rate of newness of the building portion of Target Property A and Target Property B. In valuing the Target Property B, the Valuer has also adopted the term and reversion method of the income approach and made reference to existing tenancy agreement that they have taken into account the current rent receivables from the existing tenancy agreement, the market yield and the reversionary potential of the property interests of Target Property B. Based on the above, we are of the view that the valuation performed by the Valuer and selection of methodology of Target Property A and Target Property B are fair and reasonable.

(ii) Valuation of plant and machinery under Assets A and Assets B

With reference to the Valuation Reports A and Valuation Reports B, as discussed with the Valuer, the Valuer has considered cost approach, market approach and income approach and has adopted cost approach as the main valuation approach considering the specialised design and production layout of the plant and machinery under Assets A and Assets B (“**Target Machinery**”) and arrive by the value of approximately RMB32.3 million for plant and machinery under Assets A and approximately RMB244.6 million for plant and machinery under Assets B. The Valuer has also used market approach to assess the reasonableness of the purchase process of the Target Machinery. We’ve enquired the Valuer whether alternative valuation methods have been considered and they are of the view that the income approach was found inappropriate due to the short period of operation and the lack of income stream needed for an income approach analysis.

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For the valuation process of the Target Machinery, the Valuer has estimated the current purchase price through market reference which are selected based on the model and specifications of the Target Machinery and arriving the gross current replacement cost having taken into account of the basic equipment cost including other associated costs such as freight and handling, installation, design and engineering fees, and contractor's fees and overhead which is a normal practice for the evaluation of value of machinery and equipment according to the Valuer. We have reviewed the market reference provided by the Valuer and noted that the Valuer has used the market reference based on the aforesaid selection method to evaluate the reasonableness of the estimated current purchase price of the Target Machinery. Based on our discussion with the Valuer regarding the valuation methodology and procedure on the Target Machinery and work records provided by the Valuer, we are of the view that the valuation performed by the Valuer is fair and reasonable.

With reference to the Valuation Reports A and Valuation Reports B, the Valuer was not able to conduct on-site inspection for Assets A and Assets B in 2020 due to COVID-19 outbreak and travel limitations between the PRC and Hong Kong. As discussed with the Valuer, they have followed the guidelines of HKIS Valuation Standards 2017 published by The Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors Valuation – Global Standards regarding the alternative procedure when re-inspection is not conducted and the client has confirmed that no material change occurred. As discussed with the Valuer and based on the questionnaires provided by the Valuer, they have enquired the Company through questionnaires and phone interviews to obtain updated information of Assets A and Assets B. Based on the above, we are of the view that the alternative procedure performed by the Valuer is sufficient for their valuation work.

Having considered that (i) Consideration A (i.e. RMB87,000,000) represents a discount of approximately 37.4% to the valued amount of Assets A of RMB138,875,310 according to the Valuation Reports A (ii) Consideration B (i.e. RMB271,725,000) represents a discount of approximately 22.7% to the valued amount of Assets B of RMB351,646,180 according to the Valuation Reports B; (iii) the reasons for and benefits of the entering into the Agreements are in the interests of the Company and the Shareholders as a whole as discussed under the section headed "2. Reasons for and benefits of the Acquisitions" above in this letter; and (iv) our due diligence on the Valuation Reports A and the Valuation Reports B as mentioned above, we are of the view and concur with the view of the Management that the Considerations are fair and reasonable.

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Major terms of the Convertible Bond

Please refer to the section headed “II. Principle terms of the Convertible Bond” in the Board Letter for the details of the Convertible Bond.

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

- (a) a premium of approximately 245.45% over the closing price of HK\$11.00 per Share as quoted on the Stock Exchange on date of the Agreement;
- (b) a premium of approximately 246.72% over the closing price of HK\$10.96 per Share as quoted on the Stock Exchange on Last Trading Day;
- (c) a premium of approximately 242.03% over the average closing price of HK\$11.11 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement;
- (d) a premium of approximately 237.18% over the average closing price of HK\$11.27 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the Last Trading Day;
- (e) a discount of approximately 19.14% to the audited net asset value of approximately HK\$47.00 per Share of the Company as at 31 December 2019;
- (f) a premium of approximately 1.19% over the unaudited net asset value per Share of approximately HK\$37.55 per Share of the Company as at 30 June 2020; and
- (g) a premium of approximately 288.95% over the closing price of HK\$9.77 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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In order to assess whether the terms of the Convertible Bond are fair and reasonable, we carried out a comparable analysis of other convertible bonds (the “CB Comparable(s)”) issued by companies listed on the Stock Exchange, based on the criteria that (i) they were announced during the twelve-months period ended 30 June 2020 (i.e. the date of the Agreements); and (ii) they were issued as considerations of acquisitions conducted by the respective listed companies. Details of the exhaustive list of six CB Comparables are set out below:

Table 3: CB Comparables

No.	Date of initial announcement	Name of company	Stock code	Connected transaction (Yes/No)	Transferability (Yes/No)	Maximum aggregate principal amount (HK\$)	Interest rate per annum (%)	Premium/	Premium/
								(discount) of the initial conversion price over/(to) the net asset value attributable to the shareholders of the respective companies per issued share of the respective companies (%)	(discount) of the initial conversion price over/(to) the closing price of the shares (Note 1) (%)
1.	11 September 2019	Kiu Hung International Holdings Limited	381	No	Yes	170,000,000	Nil	316.7	87.1 (Note 3)
2.	21 November 2019	Anchorstone Holdings Limited	1592	No	Yes	103,500,000	N/A (Note 2)	9.1	129.0 (Note 4)
3.	5 December 2019	Code Agriculture (Holdings) Limited	8153	No	Yes	41,000,000	Nil	122.2	N/A (Note 5)
4.	3 April 2020	TL Natural Gas Holdings Limited	8536	No	Yes	7,465,600	Nil	6.7	(1.0) (Note 3)
5.	6 April 2020	Hong Kong Finance Investment Holding Group Limited	7	Yes	Yes	1,199,000,000	Nil	31.6	9.1 (Note 3)
6.	5 June 2020	The Company	377	Yes	Yes	107,692,000	Nil	222.6	(19.1) (Note 3)
	Mean						Nil	118.1	41.0
	Minimum						Nil	6.7	(19.1)
	Maximum						Nil	316.7	129.0
		The Company		Yes	Yes	391,010,250	Nil	245.5	1.2

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

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Note:

1. It represents the premium/discount of the initial conversion price over/to the closing price of the shares of the respective companies as at the respective date of the agreements as stated in the announcements in relation to the CB Comparables.
2. No interest rate in relation to this CB Comparable was disclosed in the corresponding announcement.
3. These figures are calculated based on (i) respective net asset value attributable to the shareholders of the respective companies as disclosed in the respective latest annual/interim reports of the CB Comparables before their initial announcements regarding issue of convertible bonds; (ii) the number of issued shares of the CB Comparables as disclosed in their initial announcements regarding issue of convertible bonds; and (iii) the respective conversion prices as disclosed in their initial announcements regarding issue of convertible bonds.
4. The figure is disclosed from the initial announcement of Anchorstone Holdings Limited dated 21 November 2019 regarding issue of convertible bond.
5. According to the interim report of Code Agriculture (Holdings) Limited ("**Code Agriculture**") for the six months ended 30 September 2019, Code Agriculture has recorded net liabilities for the six months ended 30 September 2019.

As shown in the above table, the conversion prices of the CB Comparables ranged from a premium rate from the lowest of 6.7% to a premium rate to the highest of 316.7% to the respective closing prices of the shares, with a mean premium rate of approximately 118.1%. Except for the CB Comparable No. 2 as there is no relevant information in the corresponding announcement, all of the annual interest rates of the CB Comparables were nil, which is same as the Convertible Bond. The premium rate represented by the Conversion Price to the closing price per Share on the date of the Agreements (i.e. approximately 245.5%) (the "**CB Premium Rate**") is above the mean premium rate of approximately 118.1% represented by the CB Comparables. As shown from the table above, there were two CB Comparables (i.e. CB Comparable no. 5 and 6) that have issued convertible bonds to their connected person with premium rates of approximately 31.6% and 222.6% respectively represented by the conversion prices of these two CB Comparables to their respective closing prices of the shares as consideration for acquisitions, are lower than the CB Premium Rate.

We also noted that except CB Comparable No. 3 that had recorded net liabilities before its announcement of issuance of convertible bonds, the conversion price of the CB Comparables represented a premium of approximately 129.0% to a discount of approximately 19.1% to their respective net asset value attributable to the shareholders of the respective companies per share, with a mean premium rate of approximately 41.0%. The Conversion Price represented a premium of approximately 1.2% over the net asset value attributable to Shareholders per Share as at 30 June 2020 (the "**Company's NAV**") (i.e. approximately HK\$37.55) which is close to the lower end of the range of that of the CB Comparables.

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However, we noticed that the closing prices of the Share during the twelve-months period ended 30 June 2020 (i.e. the date of the Agreement) have continuously recorded discounts to the Company's NAV, with a range of a discount of approximately 63.3% to a discount of approximately 80.6%, whereas the premium rate represented by the Conversion Price to the Company's NAV is approximately 1.2% as stated above. Accordingly, we are of the view that the premium rate represented by the Conversion Price to the Company's NAV is justifiable.

Despite the premium rate represented by the Conversion Price to the Company's NAV is close to the lower end of the range of that of the CB Comparables', having considered that (i) the reasons for and benefits of the entering into the Agreements are in the interests of the Company and the Shareholders as a whole as discussed under the section headed "2. Reasons for and benefits of the Acquisitions" above in this letter; (ii) the maturity date of the Convertible Bond is the date falling on the fifth anniversary from the issue date of the Convertible Bond and the Company will not face any immediate cash outflow for the Considerations; (iii) the Convertible Bond carry nil interest rate, while its premium rate of approximately 245.5% represented by the Conversion Price to the closing price per Share on the date of the Agreements is above the mean premium rates represented by the CB Comparables as stated above; (iv) the closing prices of the Share have continuously recorded discounts to the Company's NAV during the twelve-months period ended 5 June 2020, we consider that the Convertible Bond are on normal commercial terms and their terms are fair and reasonable.

(b) Other terms of the Agreements

We have reviewed other terms of the Agreements (including but not limited to conditions precedent, completion and warranties). In order to review whether the aforesaid other terms of the Agreements are reasonable or not, we compared it with (i) the terms of CB Comparables from their relevant published announcements; and (ii) other transactions which involved issue of convertible bonds that conducted by other companies listed on the Stock Exchange of our previous works, we are of the view that the remaining terms of the Agreements are the standard terms of normal sale and purchase agreements which we have reviewed before. Accordingly, we consider and concur with the view of the Management that the terms of the Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Dilution effect of the issue of the Conversion Shares

Details of changes of shareholding structure as a result of the conversion of the Convertible Bond into Conversion Shares are set out in the section headed “VIII. Effect on the shareholding structure of the Company” of the Board Letter.

As set out in the Board Letter, the shareholding of the public Shareholders will be diluted from the current level of approximately 26.43% to (i) approximately 22.65% upon full conversion of the Convertible Bond into Conversion Shares and assuming all existing convertible bonds issued by the Company remain outstanding; or (ii) approximately 20.80% upon full conversion of all existing convertible bonds issued by the Company having been converted into new Shares of the Company. The above dilution effects are for illustration purpose only as one of the conversion restrictions is that any exercise of Conversion Rights shall not render the Company no longer maintain the minimum public float (i.e. 25%) of the Shares required under the Listing Rules upon the conversion of the Conversion Shares and the collective shareholding in the Company held by Mr. Meng, Huajun Group Limited and their respective associates shall never reach more than 75%. The allotment and issue of the Conversion Shares will not result in a change of control of the Company.

Having considered (i) the above mentioned dilution effect is for illustration purpose only and the allotment and issue of the Conversion Shares will not result in a change of control of the Company; (ii) the reasons for and benefits of the entering into the Agreements is in the interests of the Company and the Shareholders as a whole as discussed under the section headed “2. Reasons for and benefits of the Acquisitions” above in this letter; (iii) the terms of the Agreements and the issue of Convertible Bond are fair and reasonable as discussed under the section headed “3. Principal terms of the Agreements” above in this letter; and (iv) to issue of Convertible Bond is the most favourable way to the Company as stated under the section headed “5. Other financing alternative method” below in this letter, we are of the view that the aforesaid level of dilution to the shareholding interest of the public Shareholders is acceptable.

5. Other financing alternative method

As stated in the Board Letter, (i) pursuant to the Agreement A, within five Business Days after the Completion Date A, the Purchaser shall pay the Consideration A to the Vendor A by issue of the Convertible Bond A, at the Issue Price, to the Vendor A and/or its nominee or by cash, at the sole discretion by the Purchaser; and (ii) pursuant to the Agreement B, within five Business Days after the Completion Date B, the Purchaser shall pay the Consideration B to the Vendor B by issue of the Convertible Bond B, at the Issue Price, to the Vendor B and/or its nominee or by cash, at the sole discretion of the Purchaser. As confirmed by the Management, as at the Latest Practicable Date, the Management intends to fully settle the Considerations by issuing Convertible Bond.

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According to the Management, they had explored and evaluated other settlement methods as alternative for the Considerations, such as cash payment. The Directors considered based on (i) the Group's audited bank balances and cash as at 30 June 2020 of approximately RMB360.1 million; and (ii) the Considerations (i.e. RMB358.7 million), it is in the interests of the Group to preserve its cash flow and to maintain a strong cash position for business development and operation of the Group in order to satisfy the capital needs that may arise in the future and not to proceed the settlement of the Considerations by way of cash payment. Furthermore, as the maturity date of the Convertible Bond is the date falling on the fifth anniversary from the issue date of the Convertible Bond, the Company will not face any immediate cash outflow for the Considerations, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate. Based on the above, we are of the view and concur with the Directors' view that it is in the interests of the Group and the Shareholders as a whole that not to settle the Considerations by cash payment.

We have also confirmed with the Directors that the Company had considered to settle the Considerations by debt financing such as bank borrowings. However, the Directors are of the view that (i) debt financing may also be subject to lengthy due diligence and negotiations with banks; (ii) financing the Considerations through bank borrowings will incur interest expense which would increase burden to the Company based on the facts that the gearing ratio of the Company, expressed as a percentage of interest-bearing liabilities to total assets, has recorded approximately 61.1% as at 30 June 2020 according to the Interim Report; and (iii) based on the current financial performance of the Group as stated under the section headed "1. Background information on the Acquisitions" above in this letter, the Directors expect that they would have difficulties to obtain bank borrowings with favourable terms.

In addition to debt financing, we understand that the Board had considered to conduct equity financing for Considerations such as rights issue or open offer exercise as it is offered to all Shareholders to participate on a pro-rata basis or private placement. However, given the size of fund raising, having considered (i) the Conversion Price (i.e. HK\$38.00) represents a premium of approximately 245.5% over the closing price of Share on the date of the Agreements (i.e. HK\$11.00), the Board is of the view that it is impossible to conduct and attract shareholders to participate into rights issue or open offer or attract investors to subscribe under private placement if the issue price is going to be same as the Conversion Price; and (ii) if the Company conducts rights issue or open offer or private placement assuming that the issue price is similar to the closing price of Share on the date of the Agreements, the Company would need to issue larger number of new Shares to raise the funding size equal to that of the Considerations and the potential dilution effect to the public Shareholders will be higher than the potential dilution effect of the issue of Conversion Shares (for illustration purpose only, given the same size of fund raising, i.e. HK\$391,010,250, the number of new Shares to be issued at the issue price of HK\$11.00 per new Share, being the closing price of Share as at the date of the Agreements, would be 35,546,386, whereas the number of Conversion Shares is 10,289,743). Furthermore, placing of new shares would also (a) need to pay placing commission thereunder, while no such commission is involved in the issue of Convertible Bond; and (b) causing immediate dilution effect.

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Despite the potential dilution effect may occur upon issue of Conversion Shares as mentioned under the section headed “4. Dilution effect of the issue of the Conversion Shares” above in this letter, having considered that (i) it is in the interests of the Group to preserve its cash flow and to maintain a strong cash position and not to settle the Considerations by cash payment as mentioned above; (ii) debt financing may also be subject to lengthy due diligence and negotiations with banks and increase the finance costs of the Group as mentioned above; and (iii) equity financing methods such as placing of shares, rights issue and open offer may have difficulties to attract investors to subscribe new shares or causing larger dilution effect as mentioned above, we are of the view and concur with the view of the Management that the issue of Convertible Bond to settle the Considerations is the most favourable method to the Company.

6. Possible financial Effect of the Acquisitions

Revenue

As stated in the Board Letter, currently the Target Property B is a manufacturing plant, which is currently leased out to independent third party for a period of 5 years commencing from 17 December 2018 to 16 December 2023 at the annual rent of RMB45,000,000 (equivalent to approximately HK\$49,050,000), accordingly, we are of the view that the revenue of the Group would be enhanced.

Working Capital

As the maturity date of the Convertible Bond is the date falling on the fifth anniversary from the issue date of the Convertible Bond and as confirmed by the Management, as at the Latest Practicable Date, the Management intends to fully settle the Considerations by issuing Convertible Bond, the Company will not face any immediate cash outflow for the Considerations.

Net assets

According to the Management and with reference to the Board Letter, upon Completion, the assets of the Group is estimated to increase by approximately RMB490.9 million and the liabilities of the Group is estimated to increase by approximately RMB358.7 million. Accordingly, the net assets of the Group is estimated to increase by approximately RMB132.2 million. The increase in net assets represents the excess between the aggregate fair value of Assets A and Assets B as at 15 August 2020 over the aggregate amount of Consideration A and Consideration B. Immediately upon the Completion, the earnings of the Group would remain unchanged.

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According to the unaudited pro forma financial information of the Group set out in Appendix IIB in this circular, assuming the completion of Acquisition B takes place as at 30 June 2020, (i) the total assets of the Group as at 30 June 2020 would increase from approximately RMB17.5 billion to approximately RMB17.8 billion; (ii) the total liabilities of the Group as at 30 June 2020 would increase from approximately RMB15.3 billion to approximately RMB15.6 billion.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Notwithstanding the Acquisitions are not in the ordinary and usual course of business of the Company, having considered the aforementioned principal factors and reasons, we are of the view that (i) the Acquisitions are in the interests of the Company and the Shareholders as a whole; (ii) the Acquisitions are on normal commercial terms; and (iii) the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the SGM to approve the Agreements, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Wong
Vice President

Mr. Kevin Wong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 13 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for (i) each of the three years ended 31 March 2017 and 2018, nine months ended 31 December 2018 and year ended 31 December 2019 are disclosed in the annual reports of the Company for the financial years ended 31 March 2017 (pages 81 to 259) and 31 March 2018 (pages 62 to 239), nine months ended 31 December 2018 (pages 60 to 291) and year ended 31 December 2019 (pages 64 to 291); and (ii) six months ended 30 June 2020 are disclosed in the interim report of the Company for the six months ended 30 June 2020 (pages 16 to 60), respectively, and are incorporated by reference into this circular. The said annual reports and interim report of the Company are available on the website of the Company at <http://www.chinahuajungroup.com> and the website of the Stock Exchange at <http://www.hkexnews.hk>.

The Company's 2017 annual report is available at:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0725/LTN20170725175.pdf>

The Company's 2017/2018 annual report made up to 31 March 2018 is available at:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0730/LTN20180730051.pdf>

The Company's 2018 annual report made up to 31 December 2018 is available at:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2019/0527/LTN20190527690.pdf>

The Company's 2019 annual report for the year ended 31 December 2019 is available at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0514/2020051400515.pdf>

The Company's 2020 interim report for the six months ended 30 June 2020 is available at:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0904/2020090401723.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2020 being the latest practicable date for the purpose of this indebtedness statement, the Group had the following liabilities:

(a) Borrowings

As at the close of business on 30 September 2020 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately RMB11,291 million, comprising secured bank borrowings of approximately RMB9,917 million, unsecured bank borrowings of approximately RMB43 million, unsecured borrowings from immediate holding company of approximately RMB162 million, unsecured borrowing from non-controlling Shareholder of approximately RMB240 million and unsecured bonds payable of approximately RMB929 million. The borrowings of approximately RMB1,809 million are guaranteed and RMB9,482 million are unguaranteed.

(b) Pledge of assets

As at the close of business on 30 September 2020, the Group's property, plant and equipment, right of use assets, land and property for sale, investment properties, inventories and pledged bank deposits with carrying amounts of approximately RMB786 million, RMB634 million, RMB5,283 million, RMB4,848 million, RMB10 million, RMB39 million respectively, were pledged to secure certain banking and credit facilities of the Group.

(c) Guarantees

As at the close of business on 30 September 2020, the Company had provided corporate guarantees to the extent of approximately RMB2,082 million to secure general banking facilities granted to its subsidiaries. As at 30 September 2020, the amount drawn against the banking facilities amounted to approximately RMB1,809 million.

Save as disclosed above or otherwise mentioned in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any other outstanding indebtedness at the close of business on 30 September 2020 or any loan capital issued and outstanding or agreed to be issued, and authorised or otherwise created but unissued, bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

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

Reference is made to the annual report of the Company for the year ended 31 December 2019 (the "2019 Annual Report") in relation to the audited annual results for the year ended 31 December 2019. According to the 2019 Annual Report, the auditor's report on the Group's annual financial statements for the year ended 31 December 2019 contained a paragraph relating to "Material Uncertainty Related to Going Concern", due to the Group's capital and other commitments and net loss.

Despite the above, the Board is of the view that (i) the proceeds from the disposal of the Company's certain subsidiaries, including the discloseable transactions announced by the Company on 29 July 2020 and 31 July 2020; (ii) operating cash flow generated by the Company in the next 12 months in the sum of RMB1,646.3 million from the pre-sale of properties in the next 12 months; and (iii) refinancing of existing borrowings in the sum of RMB2,578.3 million, which shall be negotiated on a case by case basis, as at the Latest Practicable Date, all of the bank loans which the Company intended to be refinanced can be renewed at maturity, therefore the Board is of the view that the Group can continue as a going concern in the current financial year. Further, the audit opinion for the year ended 31 December 2019 was not modified in respect of this matter.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

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

(i) Sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products

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

(ii) Trading and logistics

This segment is principally engaged in the distribution and sales of petrochemical products and provision of logistics services. This segment trades a large spectrum of petrochemical products. The Group expects vast demand of petrochemical products in Hong Kong and the PRC and with our strength of strong network of suppliers ensure stable supply of products managed by our team, the Group will continue to support the growth of distribution and sales of petrochemical products, in particular of exploring new types of petrochemical products for distribution.

(iii) Provision of financial services*(i) Finance Lease*

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

(ii) Provision of Finance

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

(iii) Securities Investments

The Group invests in Hong Kong and overseas securities. We mainly utilise the extensive investment experience of the management to make medium and short-term investments by searching for stable revenue with controllable risk, diversifying the corporate operating risk and improving asset liquidity of the Group.

(iv) Securities brokerage and assets management

The Group has a licensed corporation which is licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

(iv) Property development and investments

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

(v) **Manufacturing and sales of photovoltaic products**

The PRC government indicated the tightening of the photovoltaic (“PV”) policy which is evidenced by the release of the notification jointly issued by the National Development and Reform Commission, the Ministry of Finance and the Energy Bureau on 31 May 2018 in relation to new regulations for the PV industry in China, which is usually referred to as the 531 New Policy (the “**531 New Policy**”). The uncertainties brought by the 531 New Policy and future policies has caused the demand in the domestic market to fall. To cope with the challenges faced by the Group under the 531 New Policy, the Group centralises the production of solar products in Jiangsu Province in the PRC to the production plant at Jurong which has more advanced technology and automation.

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

5. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 17 August 2020 and the interim results announcement of the Company for the six months ended 30 June 2020 (the “**Period**”) dated 28 August 2020 which stated that the Group's revenue during the Period represented a decrease of approximately RMB201.6 million, or 11.3%, compared to a revenue of approximately RMB1,785.6 million for the six months ended 30 June 2019 (the “**Last Period**”). Based on the information available to the Board as at 28 August 2020, such overall decrease in revenue was mainly attributable to a decrease in revenue generated from the Group's printing and trading and logistics business, which was substantially caused by the COVID-19 outbreak leading to uncertain macroeconomic environment and poor consumption appetite.

Save and except as the disclosure above, as at the Latest Practicable Date, the Directors were not aware of any other material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

APPENDIX IIA UNAUDITED PROFIT AND LOSS STATEMENT ON THE IDENTIFIABLE NET INCOME STREAM IN RELATION TO ASSETS B
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Pursuant to Rule 14.67(6)(b)(i) of the Listing Rules, on an acquisition of revenue generating assets (other than a business or company) with identifiable income stream or assets valuation, the Company is required to include in the circular a profit and loss statement and valuation (where available) for the three preceding financial years on identifiable net income stream and valuation in relation to such assets which must be reviewed by the auditors or reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

The Directors consider there was no identifiable net income stream for Assets A as the Vendor A did not use Assets A for its production or generate an identifiable net income stream since the holding company of Vendor A acquired Asset A. Assets A was solely used by the Group for manufacturing photovoltaic products since March 2019 and the Vendor A did not charge any rental fee and thus, the Acquisition A is not an acquisition pursuant to Rule 14.67(6)(b)(i) of the Listing Rules. However, the Directors consider that Acquisition B is an acquisition of revenue generating assets pursuant to Rule 14.67(6)(b)(i) of the Listing Rules as the Assets B generated leasing income in prior periods as described below. The Acquisition A and Acquisition B are not inter-conditional.

As advised by the Vendor B, the Assets B comprises of: (i) Target Property B erected on the land parcel situated at Guozhuang Town, Jurong City, Jiangsu Province, the PRC for industrial use with a total site area of approximately 107,326 sq.m. and a total gross floor area of approximately 44,051.95 sq.m.. Pursuant to the Agreement B, 49 mu* (亩) (equivalent to approximately 32,600 sq.m.) of the said land parcel will not form part of the Assets B. As such, the total land area of the Target Property B is approximately 74,657.74 sq.m.; and (ii) various equipment relating to the production and manufacturing of photovoltaic related products as listed in the Agreement B (the “**Target Plant and Machinery B**”).

In addition, as advised by the Vendor B, currently the Target Property B and Target Plant and Machinery B is a manufacturing plant, which was currently all leased out to an independent third party for a period of 5 years commencing from 17 December 2018 to 16 December 2023 at the annual rent of RMB45,000,000 (equivalent to approximately HK\$49,050,000).

Based on the information provided by the Vendor B, the following are the unaudited profit and loss statements on the identifiable net income stream in relation to the Assets B in accordance with the Rule 14.67(6)(b)(i) of the Listing Rules for the three years ended 31 December 2017, 2018 and 2019 and six months ended 30 June 2019 and 2020 (the “**Relevant Period**”), which are compiled and derived from the underlying books and records of the Vendor B, and are prepared using accounting policies materially consistent with those of the Group.

APPENDIX IIA UNAUDITED PROFIT AND LOSS STATEMENT ON THE IDENTIFIABLE NET INCOME STREAM IN RELATION TO ASSETS B
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Unaudited Net Rental Income of the Assets B during the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020:

	For the year ended 31 December			For the six months ended 30 June	
	2017	2018	2019	2019	2020
	RMB (unaudited)	RMB (unaudited)	RMB (unaudited)	RMB (unaudited)	RMB (unaudited)
Rental income	–	1,875,000	45,000,000	22,500,000	22,500,000
Property tax	–	(206,709)	(436,364)	(218,182)	(241,619)
Land use tax	–	(214,652)	(321,978)	(160,989)	(160,989)
Depreciation expenses	–	(12,372,363)	(30,118,031)	(15,056,396)	(14,389,704)
(Loss)/profit before income tax expense	–	(10,918,724)	14,123,627	7,064,433	7,707,688

Note: As advised by the Vendor B, the Target Property B was completed in July 2018 and thus, the Assets B did not have any income and expenses during the year ended 31 December 2017.

In accordance with rule 14.67(6)(b)(i) of the Rules Governing the Listing Rules, the Directors engaged Yongtuo Fuson CPA Limited (“**Yongtuo Fuson**”) to perform certain factual finding procedures (including agreeing the rental income, property tax, land use tax and depreciation amounts for the Relevant Period as shown in the unaudited profit and loss statement on the identifiable net income stream (“**Profit and Loss Schedule**”), to the corresponding amounts in the accounting records of Vendor B and rental contracts on the compilation of the Profit and Loss Schedule for the Relevant Period in relation to Assets B leased by the tenant from Vendor B in accordance with Hong Kong Standard on Related Services 4400 *Engagements to Perform Agreed Upon Procedures Regarding Financial Information* issued by Hong Kong Institute of Certified Public Accountants. Pursuant to the terms of the relevant engagement letter between the Company and Yongtuo Fuson, the reported factual findings should not be used or relied upon by any other parties for any purposes. In the opinion of the Directors, the Profit and Loss Schedule has been properly compiled and derived from the underlying books and records of Vendor B. Yongtuo Fuson has agreed the Profit and Loss Schedule to the underlying books and records of Vendor B in accordance with the agreed-upon procedures set out in the relevant engagement letter between the Company and Yongtuo Fuson and reported its factual findings based on the agreed upon procedures to the Directors.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is a summary of illustrative unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) consists of the unaudited proforma consolidated statement of assets and liabilities of the Group as at 30 June 2020 (the “**Unaudited Pro Forma Financial Information**”), which has been prepared on the basis of the notes set forth below, to illustrate the unaudited consolidated financial position of the Group immediately after completion of the Acquisition B as at 30 June 2020, as if the Acquisition B had been completed on 30 June 2020.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 4.29(1) of the Listing Rules, for the purposes of illustrating the effect of the Acquisition B is based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated financial position of the Group had the Acquisition B been completed on 30 June 2020, where applicable, or any future dates.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 included in the published interim report of the Company for the six months ended 30 June 2020 after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information is presented after making proforma adjustments that are directly attributable to the Acquisition B and not relating to future events or decisions, factually supportable and clearly identified as to those adjustments which are expected to have or have no continuing effect on the Group.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies materially consistent with those of the Group as set out in the published interim report of the Company for the six months ended 30 June 2020.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this Circular.

Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Group

	The Group before Acquisition B	Pro forma adjustments		The Group after Acquisition B
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000
Non-current assets				
Property, plant and equipment	2,062,870	189,044		2,251,914
Investment properties	4,912,973	82,681		4,995,654
Interest in an associate	29,366			29,366
Deposits for property, plant and equipment, right-of-assets and investment properties	253,053			253,053
Financial assets at fair value through profit or loss ("FVTPL")	25,928			25,928
Other receivables and deposits	40,620			40,620
Debt instruments at FVTOCI	4,575			4,575
Deferred tax assets	19,782			19,782
Right-of-use assets	974,410			974,410
	<u>8,323,577</u>			<u>8,595,302</u>
Current assets				
Properties held for sale	7,424,302			7,424,302
Inventories	408,177			408,177
Trade and other receivables, and prepayments	910,376			910,376
Loan receivables and interest receivables	10,758			10,758
Tax recoverable	1,035			1,035
Financial assets at FVTPL	11,835			11,835
Restricted bank balances	16,585			16,585
Pledged bank deposits	23,363			23,363
Bank balances and cash	360,057			360,057
	<u>9,166,488</u>			<u>9,166,488</u>

	The Group before Acquisition B	Pro forma adjustments		The Group after Acquisition B
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000 (Note 3)	RMB'000
Current liabilities				
Trade and other payables, and other liabilities	1,794,920		431	1,795,351
Bill payables	412,291			412,291
Tax payable	108,937			108,937
Borrowings	4,219,170			4,219,170
Contract liabilities	1,900,650			1,900,650
Corporate bonds	2,862			2,862
Convertible bonds – liability component	214,805			214,805
Convertible bonds – derivative component	131			131
Lease liabilities	22,572			22,572
	<u>8,676,338</u>			<u>8,676,769</u>
Net current assets	<u>490,150</u>			<u>489,719</u>
Total assets less current liabilities	<u>8,813,727</u>			<u>9,085,021</u>
Non-current liabilities				
Deferred consideration	95,000			95,000
Deferred income	103,491			103,491
Deferred tax liabilities	110,155			110,155
Amount due to immediate holding company	47,783			47,783
Borrowings	5,505,780			5,505,780
Corporate bonds	88,162			88,162
Convertible bonds – liability component	650,090	271,725		921,815
Lease liabilities	13,507			13,507
	<u>6,613,968</u>			<u>6,885,693</u>
Net assets	<u><u>2,199,759</u></u>			<u><u>2,199,328</u></u>

Notes to the Unaudited Pro Forma Financial Information:

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020 as set out in the published interim report of the Company for the six months ended 30 June 2020.
2. On 30 June 2020, 華君電力科技(江蘇)有限公司 (Huajun Power Technology (Jiangsu) Co., Ltd., the “**Purchaser**”, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company) entered into the Agreement B with 華君電力(句容)有限公司 (Huajun Power (Jurong) Co., Ltd., the “**Vendor B**”, a company established in the PRC with limited liability) for the acquisition of the Assets B (including the Target Property B and various equipment relating to the production and manufacturing of photovoltaic related products as listed in the Agreement B (the “**Target Plant and Machinery B**”) for the consideration of RMB271,725,000 (equivalent to approximately HK\$296,180,250, at the exchange rate of RMB1 = HK\$1.09) (the “**Consideration B**”).

Under the Hong Kong Financial Reporting Standard 3 (Revised) *Business Combination*, the Acquisition B was accounted for as an acquisition of assets and liabilities as the Target Property B and Target Plant and Machinery B had not carried out any significant business activities. Accordingly, the Directors considered that, for the purpose of the preparation of the Unaudited Pro Forma Financial Information, the substance of the Acquisition B is an acquisition of assets which are measured at their respective fair values at the date of acquisition.

The Directors consider that the Target Property B is to be held by the Group to earn rentals from an independent third party (the “**Tenant**”) and hence it is classified as an investment property of the Group, which is initially measures at cost and subsequently measures at fair value. Pursuant to the Company’s accounting policies, the Group’s owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the year in which they arise. The fair value of the Target Property B as at 15 August 2020 was RMB107,000,000, which has been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited (“**LCH**”), the Independent Valuer, is a firm of professional surveyors and valuation consultants in Hong Kong. In preparing the Unaudited Pro Forma Financial Information, the Directors assume the fair value of the Target Property B as at 15 August 2020 approximates that as at 30 June 2020.

Meanwhile, the Directors consider that the Target Plant and Machinery B is to be held by the Group for leasing to the Tenant and hence it is classified as plant and machinery of the Group, which is initially measures at cost, including any directly attributable expenditure, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The fair value of the Target Plant and Machinery B as at 15 August 2020 was RMB244,646,180, which has been arrived at on the basis of a valuation carried out by LCH. In preparing the Unaudited Pro Forma Financial Information, the Directors assume the fair value of the Target Plant and Machinery B as at 15 August 2020 approximates that as at 30 June 2020.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the allocation of the Consideration B of RMB271,725,000 is determined bases on the respective fair values of the Target Property B and Target Plant and Machinery B on 30 June 2020 and the recognised amounts of the identified assets acquired and liabilities assumed are as follows:

	Fair values of the assets based on LCH's valuation report RMB'000	Allocation of the Consideration B RMB'000
Target Property B	107,000	82,681
Target Plant and Machinery B	244,646	189,044
	<u>351,646</u>	<u>271,725</u>

Since the amounts of the related fair values of assets acquired and liabilities assumed at the completion date of the Acquisition B may be substantially different from their relative fair values used in the preparation of the Unaudited Pro Forma Financial Information, the respective values of the assets and liabilities to be recorded in the consolidated financial statements of the Group as well as the depreciation and depletion for subsequent period and the gains and losses arising from changes in the fair value of investment properties, if any may be different from the amounts shown in this appendix.

Pursuant to the Agreement B, the Vendor B and the Purchaser agreed that the Consideration B will be settled by the issue of the convertible bonds (the "Convertible Bond B") in the aggregate amount of HK\$296,180,250 (equivalent to RMB271,720,000, at the exchange rate of RMB1 = HK\$1.09) to be issued by the Company, pursuant to the Convertible Bond B bond instrument. For the purpose of the Unaudited Pro Forma Financial Information, the Directors assume that the Convertible Bond B is liability instruments and recorded at fair value. The fair value of the liability component of convertible bonds will be reassessed at the completion date of the Acquisition B.

3. The adjustment represents the estimated transaction costs of approximately RMB431,000, including but not limited to legal and professional fees, directly attributable to the Acquisition B. The adjustment is not expected to have a continuing effect on the Group.
4. Other than the above adjustments, no other adjustments had been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions that the Group entered into subsequent to 30 June 2020.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Yongtuo Fuson CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Huajun Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Huajun Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2020 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages IIB-1 to IIB-5 of the circular issued by the Company dated 5 November 2020 (the "**Circular**"), in connection with the proposed acquisition of property erected on land parcel situate at Guozhuang Town, Jurong City, Jiangsu Province, the PRC (the "**Target Property B**") and various equipment relating to the production and manufacturing of photovoltaic related products as listed in the agreement (the "**Target Plant and Machinery B**", together with the Target Property B, the "**Assets B**") by the Group (the "**Acquisition B**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IIB-1 to IIB-5 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition B on the Group's financial position as at 30 June 2020 as if the Acquisition B had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2020, on which an interim report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

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

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

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of the Acquisition B on unadjusted financial information of the Group as if the Acquisition B had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition B at 30 June 2020 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yongtuo Fuson CPA Limited

Certified Public Accountants

Lee Yan Fai

Practicing Certificate Number P06078

Hong Kong

(1) PROPERTY VALUATION REPORT



利駿行測量師有限公司

L C H (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 (“IVS”) and published by the International Valuation Standards Council. The standards entitle 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

5 November 2020

The Board of Directors
China Huajun 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 China Huajun Group Limited (hereinafter referred to as the “**Instructing Party**”) to conduct an agreed-upon procedures valuation of the designated real property (same as the word “**property**” in this report) which is Target Property A (as defined in this circular) and proposed to be acquired by China Huajun 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 make relevant enquiries and investigation as we consider necessary to support our working, and to perform an independent valuation of the property by using the most appropriate method as at 15 August 2020 (hereinafter referred to as the “Valuation Date”) for the Instructing Party’s internal management reference purpose. The property is held by Jurong Simaite Intelligent Science and Technology Co., Ltd (句容思麥特智能科技有限公司) (hereinafter referred to as the “Vendor A”). We are given to understand that this valuation reports to this circular (the “Circular”) is for the Company’s shareholders’ reference purpose. This valuation report comprises the text section and property particulars with value 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 property 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 property are documented in this valuation report and submitted to the Instructing Party at today’s date (hereinafter referred to as the “Report Date”).

Valuation of Property

Basis of Value and Assumptions

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 characteristic of the property, that is, whether the property can be freely transferred in the market, we have provided our value of the property on the market value basis.

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 valuation of the property has been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in the property has absolute title to its relevant property interests;
2. the legally interested party in the property 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 the property 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. the property 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. the property 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 as reported.

Approach to Value

Having considered the general and inherent characteristics of the property, we have adopted the depreciated replacement cost ("DRC") approach. The DRC approach is a procedural valuation approach and is an application of the Cost Approach in valuing specialised property like the property when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. 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 real property. The land use right of the property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

For owner-occupied specialised property 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.

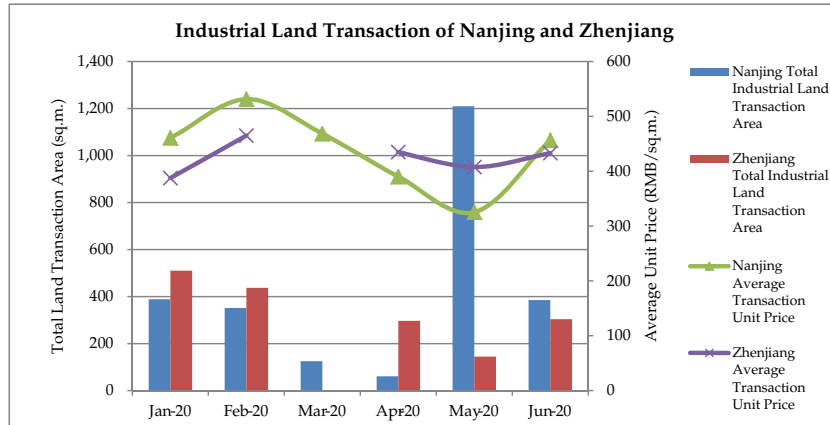
We need to state that our opinion of value of the property is not necessarily intended to represent the amount that might be realised from disposition of its land use rights or various buildings on piecemeal basis in the open market.

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.

Market Overview

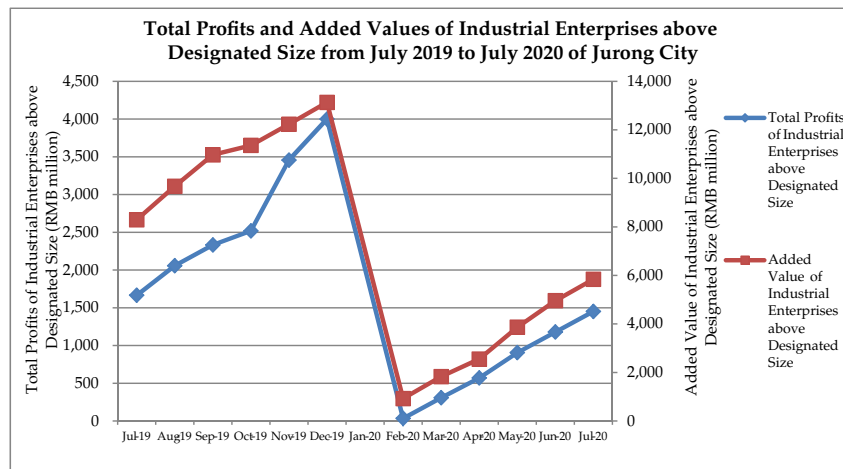
Jurong City is about 30 km away from Nanjing Lukou International Airport and has gradually become one of the transportation centres in Jiangsu Province adjoining the Nanjing City. It falls within the administrative region of Zhenjiang.

According to the information on fdc.fang.com, the industrial land market in Nanjing City recorded a total of 66 land use right transactions from January to June 2020 with a total site area of approximately 2.5 million square metres (“sq.m.”) and an average unit price of RMB439 per sq.m.; whilst the industrial land market in Zhenjiang completed a total of 65 transactions with a total site area of approximately 1.7 million sq.m. and an average unit price of RMB425 per sq.m.. The statistics of industrial land market in Nanjing and Zhenjiang are presented in the graph below. In the first half year of 2020, Jiangsu Province ranked the first in sale of industrial land use rights throughout the country.



Nanjing City ranked the 9th city in industrial investment throughout the Jiangsu Province in the first half year and also the first in industrial investment increment from January to May. According to the Government of Zhenjiang, Jurong City has entered 12 various industrial investment project contracts of a total investment amount of RMB14.2 billion in various industrial sectors, which includes 5G, Electric Auto-Mobile, semi-conductors and Nano-technology, etc.. With the COVID-19 threat in Mainland China under control, key industrial cities like Nanjing City are recovering in a relatively fast pace, which will then stimulate the recovery of nearby areas like the Jurong City.

According to the information available from the Ju Rong Shi Tong Ji Ju (句容市統計局), the added value of industrial enterprises above designated size (規模以上工業增加值) recovered from RMB924 million in February to RMB5,841 million in July. The total profit of industries above designated size (規模以上工業利潤總額) also shows a substantial increase of about 370% from RMB307 million in March to RMB1,451 million in July. Relevant statistics are demonstrated in the graph below. Moreover, there are a total of 28 newly or continuously developing industrial projects establishing in Jurong City according to the Government of Zhenjiang.



Although the total profits and the added values of industrial enterprises above designated size are yet to achieve the same level as in last year due to outbreak of COVID-19 in early 2020, the trend clearly indicates a fast recovery of industrial activities in Jurong City.

Matters that Might Affect the Value 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 value 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 property valued nor any expenses or taxation which may be incurred in affecting a sale of the property. It is further assumed that the property is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, in our valuation, we have assumed that the property 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 the property which may affect the reported findings or value in our work product. Thus, we are not in the position to report and comment on its impact (if any) on the property. 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 reported herein.

With the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, the local real estate market is greatly affected leading to comparatively lower levels of transactional activity and liquidity. There has been a shortage of market evidence for comparison purposes to make a well-informed opinion of values as at the Valuation Date. Our valuation of the property is therefore reported as being subject to valuation uncertainty at times of market unrest as set out in IVS. As a consequence, less certainty – and a higher degree of caution – should be accorded to our valuation than would normally be the case. For the avoidance of doubt, this valuation uncertainty clause does not mean that the valuation cannot be relied upon. Rather, this is to ensure transparency of the fact that – under the current extraordinary circumstances – less certainty can be accorded to the valuation than would otherwise be the case. This clause serves as a precaution and it does not invalidate the valuation. With the unknown future impact that COVID-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that the valuation contained within this report should be under frequent review.

Establishment of Titles

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party in the property has free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the property at their 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, and that the Vendor A has the right to occupy or to use its relevant property. 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 the property 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 property.

We have been provided with copies of the title documents of the property. 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 property 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 property 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 property in China. However, we have complied with the requirements as stated in the Listing Rules (as defined in this 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 property. We are given to understand that the PRC legal opinions were prepared by the Group's PRC legal adviser, Liaoning Gongdan Law Firm (遼寧宮丹律師事務所) in November 2020. 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 property 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 the property. 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 of the Property

We did not conduct on-site inspection to the Property around the Valuation Date due to the prevailing Novel Coronavirus (COVID-19) outbreak and travel limitations between China and Hong Kong. We have relied on the documents and information provided to us and our independent research in preparing the valuation. We have referred our previous inspection records on 16 October 2018 to 19 October 2018 and recent updates provided by the Instructing Party. As advised by the Instructing Party, there are no material physical changes of the property since our last inspection. The property was last inspected by Sr Elsa Ng (a Registered Professional Surveyor in Hong Kong and a Registered Real Estate Appraiser in the PRC). We have inspected the exterior, and where possible, the interior of the property 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 property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work 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 property valued. 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 services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the property, 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 property did not include an independent land survey to verify the legal boundaries of the property. 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 property that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the property 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 property, or have since been incorporated into the property, and we are therefore unable to report that the property is 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 property 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 property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property 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 property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value 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 property, 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 Company.

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, development schedule, site and floor areas and all other relevant matters.

The scope of our work has been determined by reference to the property 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 Vendor A 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.

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.

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 valuations. 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 material 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 property held by the Vendor A for the Instructing Party's internal management reference purpose as at the Valuation Date in its existing state, and assuming free of all encumbrances, was in the order of RENMINBI ONE HUNDRED SIX MILLION AND SIX HUNDRED THOUSAND YUAN ONLY (RMB106,600,000).

Limiting Conditions

Our findings or value of the property 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. Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property, and that the inspection and the use of this report do not purport to be a building survey of the property.

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 are required to 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 property 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 opinion of values and we have no significant interests in the property, Vendor A, the Group or the value 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

J. Junior Ho
B.Sc. M.Sc. RPS (GP)
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 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 and a registered real estate appraiser in the PRC.

Sr J. Junior Ho is a member of the HKIS and has been conducting valuation of real properties in Hong Kong, Macau, Taiwan, mainland China, Canada, the United Kingdom, France, Singapore, Guyana, Samoa, Argentina and Vietnam since 2010.

PROPERTY PARTICULARS WITH VALUE

Property held by the Vendor A under long-term title certificates in the PRC and valued on market value basis

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Vendor A as at 15 August 2020
<p>A factory complex occupied by the Vendor A on a parcel of land located at Airport Industrial Concentration Zone Guozhuang Town Jurong City Jiangsu Province The PRC 212400</p>	<p>The property comprises 5 various major buildings erecting on a parcel of land having a site area of 65,713.00 square meters ("sq. m.").</p> <p>According to information provided by the appointed personnel of the Company, the property comprises 5 various buildings with a total gross floor area of 41,833.57 sq.m. The buildings were completed in 2018. (See Note 3 below)</p> <p>The locality of the property is within a high-tech industrial zone in Jurong. Residential developments also situated in the near vicinity.</p> <p>The property is subject to a right to use the land for a term of 50 years commencing from 23 January 2017 to 22 January 2067 for industrial usage. (See Note 1 below)</p>	<p>As confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by Vendor A for industrial, ancillary offices and staff quarter purposes.</p>	<p>RMB106,600,000</p> <p>100 per cent. interest</p>

Notes:

- Pursuant to two Contracts for the Grant of State-owned Land Use Rights dated 23 January 2017 and 10 January 2018 (Contract Nos. 3211832017CR0011 and 3211832018CR0005), the land use rights of two parcels of land having a site area of 37,574 sq.m. and 28,139 sq.m., respectively, were granted to Jurong Simaite Intelligent Science and Technology Co., Ltd (hereinafter referred to as the “Vendor A”) for a term of 50 years commencing from 23 January 2017 for industrial usage with the land consideration of RMB11,270,000 and RMB8,440,000, respectively.
- The rights to possess the land is held by the State and the rights to use the land has been granted by the State to Vendor A via a Real Estate Certificate (不動產權證) known as Su (2018) Ju Rong Shi Bu Dong Chan Quan Di 0030560 Hao (蘇(2018)句容市不動產權第0030560號) issued by the Jurong Real Estate Registry Centre and dated 14 June 2018 with a site area of 65,713.00 sq.m. and for a term of 50 years commencing from 23 January 2017 to 22 January 2067 for industrial usage.
- Pursuant to the Real Estate Certificate (不動產權證書) known as Su (2018) Ju Rong Shi Bu Dong Chan Quan Di 0030560 Hao (蘇(2018)句容市不動產權第0030560號) issued by Real Estate Registry Bureau of Jurong City (句容市不動產登記局) and dated 14 June 2018, the legally interested party in the property comprising 5 various buildings with a total gross floor area of approximately 41,833.57 sq.m. is Vendor A. The details are summarised below:

Buildings	Gross Floor Area (sq.m.)
A single storey factory building	9,923.85
A single storey factory building	9,923.85
A single storey factory building	9,923.85
A 4-storey factory building	5,742.94
A 7-storey office building	6,319.08
Total:	41,833.57

- The comparable land parcels adopted in this valuation were selected in the period from January to July 2020 in Jurong City, same as the subject. Selecting criteria include land usage, location and sizes. The average unit price per site area of comparable land parcels adopted was approximately RMB450/sq.m. on site area, which was considered appropriate according to the local land market research. The transaction details of the adopted comparable land parcels, which are all for industrial usage, are summarized below:

Transaction Date	Location	Site Area (sq.m.)	Consideration (RMB)	Unit Price per Site Area (RMB/sq.m.)
23 June 2020	Jurong City, Jiangsu Province	16,635	7,490,000	450
23 June 2020	Jurong City, Jiangsu Province	11,002	4,950,000	450
3 January 2020	Jurong City, Jiangsu Province	18,929	8,520,000	450
3 January 2020	Jurong City, Jiangsu Province	34,115	15,360,000	450
3 January 2020	Jurong City, Jiangsu Province	51,330	23,100,000	450

- According to the legal opinions prepared by the Group’s PRC legal adviser, the following opinions are noted:
 - Vendor A is the legally interested party in the property mentioned above and has fully paid the land consideration, Vendor A has the right to occupy, use and assign the property;
 - the property is subject to 2 various mortgages as at the Valuation Date in favour of Guozhuang Sub-branch, Jiangsu Jurong Rural Commercial Bank Co., Ltd (江蘇句容農村商業銀行股份有限公司郭莊支行); and
 - during the mortgage period, Vendor A may transfer the property with the consent of the mortgagee, or the assignee paying off the mortgages mentioned in Note 5(ii).

(2) PLANT AND MACHINERY VALUATION REPORT



利駿行測量師有限公司

L C H (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 (“IVS”) published by the International Valuation Standards Council which 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 readers’ identification purpose only and have no legal status or implication in this report. This report is prepared and signed off in English format, translation of this report in language other than English 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 date of this report. If additional documents and facts are made available, we reserve the right to amend this report and its conclusion.

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

5 November 2020

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

Dear Sirs,

1. INSTRUCTIONS

With reference to the instructions of the present management of China Huajun Group Limited and its subsidiaries (hereinafter referred to as the “**Group**”), we have conducted a valuation of certain designated plant, machinery and equipment (“**Subject Plant and Machinery**”), presented to us as those held by Jurong Simate Intelligent Science and Technology Co., Ltd. (句容思麥特智能科技有限公司) and its subsidiaries (the “**Target Company**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of their Fair Market Value in Continued Use as of 15 August 2020 (“**relevant valuation date**”) for the Group’s internal management reference purpose.

Subsequent to the above instructions, we commenced with our valuation by conducting an on-site inspection of the Subject Plant and Machinery, held discussions with relevant personnel of the Group and Target Company, gathered relevant documents such as equipment supply contracts, financial information, production flow diagrams, equipment drawings and equipment specifications, and made necessary research and enquiries to complete our valuation.

Based on the instructions of the Group, it is understood that our work product will be used as part of its business due diligence and we have not been engaged to make specific sale or purchase recommendations. We further understand that the management of the Group will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the management of the Group should conduct in reaching its business decision. Our findings and conclusions in this valuation are documented below.

At the request of the management of the Group, we have prepared this summary report to summarize our findings and conclusions, as documented in our detailed valuation reports of the same date, for the purpose of inclusion in this circular for the reference of the Group's shareholders. Terms used herein without definition shall have the same meanings as in the detailed valuation reports, and the assumptions and caveats adopted in the detailed valuation reports also apply to this summary report.

2. DESCRIPTION OF THE SUBJECT PLANT AND MACHINERY

The Subject Plant and Machinery presented to us as those of Jurong Simaite comprise various equipment relating to the production and manufacturing of monocrystalline and polycrystalline photovoltaic solar panels. According to the equipment supply contract we reviewed, the Subject Plant and Machinery comprise two production lines with combined capacity to produce about 250 megawatts (mW) of solar panels per year.

The production lines comprise solar cell testing and laser scribing machines, automatic string welding machines, automatic tandem laying machine, bus bar soldering machines, EL (Electroluminescence) testers, EVA and TPT backsheet (Ethylene Vinyl Acetate and Tedlar Polyester Tedlar) cutting machines, laminating machines, framing machines, panel testing machines, conveyor system, handling robots and various panel testers. Also included are various production related equipment for the supply of various utilities such as water supply and treatment equipment, compressed air system, air conditioning system and electricity supply system.

Other plant and machinery included in the valuation are various office computers and office equipment, office furniture, and canteen and kitchen equipment. The Subject Plant and Machinery included in the valuation was based on the fixed asset list and equipment list provided by Jurong Simaite during the course of our valuation.

During our inspection, we were informed that installation of the equipment started in early 2018 and start-up test production commenced in September 2018. It was not in operation at the time of our inspection.

The Subject Plant and Machinery were inspected in its factory site located at Guozhuang Town Airport, Industrial Concentration Zone, Jurong City, Jiangsu Province, the PRC.

2.1 Exclusions

This valuation is limited to the Subject Plant and Machinery described above and was based on the list provided to us. Other assets like real estate and other types of assets like spare parts, supplies, inventories, materials on hand, all other tangible assets that are current in nature and intangible assets that might exist were excluded.

2.2 Inspection

We conducted our inspection of the Subject Plant and Machinery on 16 to 19 October 2018. Inspection was conducted by Mr. Philip Shia. He has over 10 years working experience in the electrical equipment and accessories industry and about 6 years working in plant and machinery valuations. The production line was not yet in commercial operation at the time of our inspection.

We did not conduct on-site re-inspection to the Subject Plant and Machinery due to the prevailing Novel Coronavirus (COVID-19) outbreak. We have referred to our previous inspection records in October 2018 and recent updates provided by the Group in preparing this valuation.

For the purpose of this valuation, we held discussions with the Group to understand the situation of the Subject Plant and Machinery. Based on these discussions, we understand that the production lines started commercial operation in April 2019 and, as of the relevant valuation date, have produced about 172 megawatts of solar panels. We were further informed that the lower production is due to reduced order as well as “teething” problems normally associated with new production lines.

As advised by the Group, there are no material physical changes of the Subject Plant and Machinery since our last inspection.

3. BASIS OF VALUATION

We have valued the Subject Plant and Machinery on the basis of Fair Market Value in Continued Use with assumed earnings. This is defined by the American Society of Appraisers (ASA) as:

“An opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date and assuming that the business earnings support the value reported, without verification.”

Under the premise of continued use, the opinion of fair market value assumes operation of the Subject Plant and Machinery in its present location for its continued use as part of the existing business or for which it was conceived.

This basis of value is similar to the definition of Market Value of the International Valuation Standards under the premise of existing use.

This opinion of value is not related to or dependent upon the earning capacity of the business the Subject Plant and Machinery are in use. It assumes that prospective earnings would provide a reasonable return to the plant and machinery valued, plus the value of other assets not included in this valuation and adequate working capital.

4. VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transportation, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation from physical deterioration, condition, utility, age and functional and economic/external obsolescence.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to investment properties, general-use properties where there is an established and identifiable rental market or to an aggregation of assets in an entire business enterprise including working capital and tangible and intangible assets.

In all situations, all approaches to value must be considered, as one or more may be applicable to the Subject Plant and Machinery. In some situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

5. VALUATION ANALYSIS

During our valuation, we considered all three approaches to value and adopted the cost approach as the main valuation approach considering the specialized design and production layout of the Subject Plant and Machinery and that it is a relatively new production equipment. The market approach was used to assess the reasonableness of the purchase prices of the Subject Plant and Machinery. The income approach was found inappropriate due to the short period of operation and the lack of income stream needed for an income approach analysis.

In conducting our valuation, we made an on-site inspection of the Subject Plant and Machinery, gathered relevant equipment supply contracts, accounting and financial information and interviewed relevant factory personnel to understand the condition, usage, maintenance, operation and history of the Subject Plant and Machinery. We also investigated market conditions and researched prevailing prices of similar plant and machinery.

In using the cost approach, we estimated the gross current replacement cost of the Subject Plant and Machinery and depreciated the gross current replacement cost to arrive at the depreciated replacement cost. The depreciated replacement cost was then taken as the fair market value in continued use of the Subject Plant and Machinery.

For the purpose of this valuation, gross current replacement cost is defined the cost of replacing or constructing a property of equivalent size and utility at current prices using modern materials and according to modern standards, design and layout. We arrived at the gross current replacement cost taking into consideration the basic equipment cost including other associated costs such as freight and handling, installation, design and engineering fees, and contractor's fees and overhead.

We arrived at our depreciation by reference to generally accepted service lives of similar equipment with adjustment to reflect their existing physical condition based on our on-site inspection and recent additional information provided to us for the purpose of this valuation. Adjustment to account for physical and economic obsolescence, if applicable, as well as any technical deficiencies associated with new installation were then considered to arrive at the depreciated replacement cost. Depreciated replacement cost was reviewed for reasonableness in comparison to similar production equipment and production lines available in the market.

6. VALUATION COMMENTS

We reviewed historical accounting records, technical specifications and other documents relating to the Subject Plant and Machinery. Though we have not carried out an independent investigation of the said information, we found no reason not to rely to a considerable extent on such information in arriving at our opinion of value.

We have assumed that all material information that would affect the value of the Subject Plant and Machinery has been properly disclosed.

We confirm that we have no present or contemplated future interest in the Subject Plant and Machinery or any other interests that may prevent our having arrived at a fair and unbiased assessment of value.

No deduction has been made in our valuation in respect of any outstanding amounts owing under any finance lease or hire purchase agreement, pre-payments and construction in progress. The assets have been valued as being wholly owned and free of all encumbrances. We have not investigated the titles to or any liabilities affecting the Subject Plant and Machinery.

This valuation is concerned solely with the value of the Subject Plant and Machinery and our opinion of value is not related to or dependent upon the earning capacity of the business. We did not attempt to arrive at the value of the factory as a total business entity.

This report has been made in consideration with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation on Personal Property valuations and in line with the ethics and guidelines as contained in the International Valuation Standards published by the International Valuation Standards Committee. This valuation has been prepared for the sole use of the Group for its intended purpose.

With the outbreak of the Novel Coronavirus (COVID-19), there has been comparatively large number of factories closing but lower levels of transactional activity and liquidity. Higher degree of caution should be accorded to valuations than would normally be the case. With the unknown future impact that COVID-19 might have on manufacturing and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that valuations should be reviewed as these uncertainties are reduced.

We retain a copy of this report in our files, together with the data from which it was prepared. We considered these records confidential, and do not permit access to them by anyone without the client's authorisation and prior arrangement made with us. Moreover, we will add the name of the client into our client list for our future reference.

7. GENERAL ASSUMPTIONS AND LIMITING CONDITION

This valuation reports is made subject to the following General Assumptions and Limiting Conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title or encumbrances. Titles to the assets are assumed to be good and marketable unless otherwise stated. The assets are further assumed to be free and clear of any or all liens, easements or encumbrances, unless otherwise stated.
2. Information furnished by others, upon which all or portions of this report is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.

3. This report has been made only for the purposes stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitation, any conclusions as to value or the identity of LCH (Asia-Pacific) Surveyors Limited (“LCH”) or any individuals signing or associated with this report or the professional associations or organisations with which they are affiliated), shall be disseminated to third parties by any means without the prior written consent and approval of LCH.
4. Neither LCH nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, testimony, or appear in court or other legal proceedings, unless prior specific arrangements have been made.
5. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions that occur subsequent to the appraisal date hereof.
6. The date of value to which the opinions expressed in this report apply is set forth in this report.
7. Unless otherwise stated, it is assumed that all required licenses, certificates, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in this report are based.
8. Full compliance with all applicable state and local zoning, use, environmental, and similar laws and regulations is assumed unless otherwise stated.
9. Responsible ownership and competent management are assumed.
10. In connection with this assignment, the client agrees to indemnify and hold harmless LCH and its personnel from any claims, liabilities, costs and expenses (including, without limitation, attorneys’ fees and the time of LCH personnel involved) brought against, paid or incurred by LCH at a time and in any way based on the information made available in connection with LCH’s work product except to the extent any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of the LCH engagement team in conducting its work.

8. OPINION OF VALUE

Based on the above analysis and specified assumptions, it is our opinion that as at 15 August 2020, the appraised Fair Market Value in Continued Use with assumed earnings of the Subject Plant and Machinery for the Group's internal management reference purpose is fairly represented in the amount of **RMB 32,275,310 (RENMINBI YUAN THIRTY TWO MILLION TWO HUNDRED SEVENTY FIVE THOUSAND THREE HUNDRED TEN)**. This amount is broken down into:

Description	Fair Market Value in Continued Use (RMB)
Jurong Simaite Intelligent Science and Technology Co., Ltd.	
辦公設備 (Office Equipment)	1,502,310
機器設備 (Machinery & Equipment)	<u>30,773,000</u>
Total:	<u><u>32,275,310</u></u>

This valuation is subject to our standard General Assumptions and Limiting Conditions as shown in Section 7.

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

Rolando R. Arcaya BSME, ASA
Director

Note: Mr. Rolando R. Arcaya is a mechanical engineer and a senior accredited appraiser (ASA designation) of the American Society of Appraisers in Machinery and Technical Specialties/Machinery and Equipment. He has over 30 years plant and machinery valuation experience of which over 25 years were spent in Hong Kong and mainland China.

(1) PROPERTY VALUATION REPORT



利駿行測量師有限公司

L C H (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 (“IVS”) and published by the International Valuation Standards Council. The standards entitle 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

5 November 2020

The Board of Directors
China Huajun 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 China Huajun Group Limited (hereinafter referred to as the “**Instructing Party**”) to conduct an agreed-upon procedures valuation of the designated real property (same as the word “**property**” in this report) which is Target Property B (as defined in this circular) and proposed to be acquired by China Huajun 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 make relevant enquiries and investigation as we consider necessary to support our working, and to perform an independent valuation of the property by using the most appropriate method as at 15 August 2020 (hereinafter referred to as the “Valuation Date”) for the Instructing Party’s internal management reference purpose. The property is held by Huajun Power (Jurong) Co., Ltd. (華君電力(句容)有限公司) (hereinafter referred to as the “Vendor B”) (formerly known as Jiangsu Xietong Solar Technology Co., Ltd (蘇州協通光伏科技有限公司)). We are given to understand that this valuation reports to this circular (the “Circular”) is for the Company’s shareholders’ reference purpose. This valuation report comprises the text section and property particulars with value 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 property 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 property are documented in this valuation report and submitted to the Instructing Party at today’s date (hereinafter referred to as the “Report Date”).

Valuation of Property

Basis of Value and Assumptions

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 characteristic of the property, that is, whether the property can be freely transferred in the market, we have provided our value of the property on the market value basis.

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 valuation of the property has been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in the property has absolute title to its relevant property interests;
2. the legally interested party in the property 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 the property 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. the property 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. the property 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 as reported.

Approach to Value

In valuing the property, our opinion of value is subject to existing tenancy agreement and arrived at by using the term and reversion method of the Income Approach. By using the term and reversion method of the Income Approach (or sometimes referred to as a method of the Market Approach for the reversionary interests), we have taken into account the current rent receivable from the existing tenancy agreement and the reversionary potential of the property interests.

In considering the reversionary value of the property, we have adopted the depreciated replacement cost ("**DRC**") approach in the absence of available market data. The DRC approach is considered as the most appropriate approach, which is a procedural valuation approach and is an application of the Cost Approach in valuing specialised property like the property when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. 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 real property. The land use right of the property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

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.

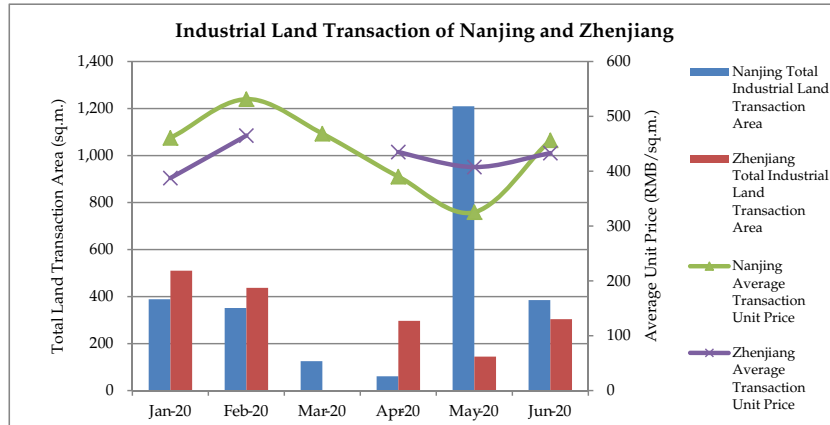
We need to state that our opinion of value of the property is not necessarily intended to represent the amount that might be realised from disposition of its land use rights or various buildings on piecemeal basis in the open market.

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.

Market Overview

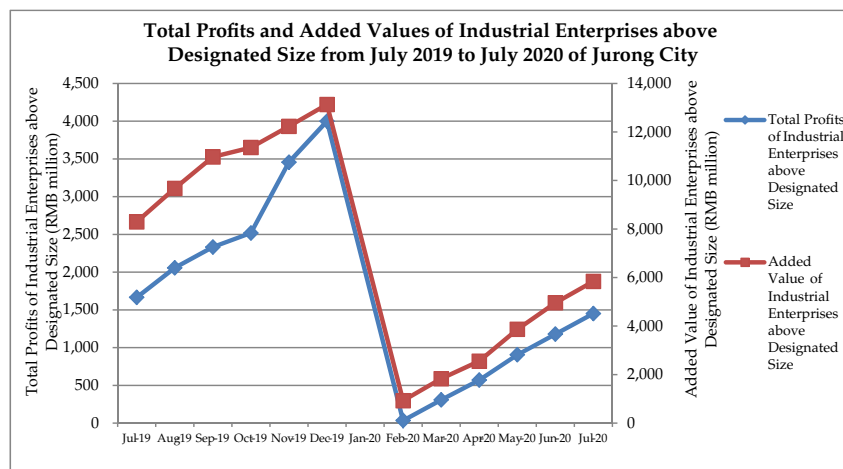
Jurong City is about 30 km away from Nanjing Lukou International Airport and has gradually become one of the transportation centres in Jiangsu Province adjoining the Nanjing City. It falls within the administrative region of Zhenjiang.

According to the information on fdc.fang.com, the industrial land market in Nanjing City recorded a total of 66 land use right transactions from January to June 2020 with a total site area of approximately 2.5 million square metres (“sq.m.”) and an average unit price of RMB439 per sq.m.; whilst the industrial land market in Zhenjiang completed a total of 65 transactions with a total site area of approximately 1.7 million sq.m. and an average unit price of RMB425 per sq.m.. The statistics of industrial land market in Nanjing and Zhenjiang are presented in the graph below. In the first half year of 2020, Jiangsu Province ranked the first in sale of industrial land use rights throughout the country.



Nanjing City ranked the 9th city in industrial investment throughout the Jiangsu Province in the first half year and also the first in industrial investment increment from January to May. According to the Government of Zhenjiang, Jurong City has entered 12 various industrial investment project contracts of a total investment amount of RMB14.2 billion in various industrial sectors, which includes 5G, Electric Auto-Mobile, semi-conductors and Nano-technology, etc.. With the COVID-19 threat in Mainland China under control, key industrial cities like Nanjing City are recovering in a relatively fast pace, which will then stimulate the recovery of nearby areas like the Jurong City.

According to the information available from the Ju Rong Shi Tong Ji Ju (句容市統計局), the added value of industrial enterprises above designated size (規模以上工業增加值) recovered from RMB924 million in February to RMB5,841 million in July. The total profit of industries above designated size (規模以上工業利潤總額) also shows a substantial increase of about 370% from RMB307 million in March to RMB1,451 million in July. Relevant statistics are demonstrated in the graph below. Moreover, there are a total of 28 newly or continuously developing industrial projects establishing in Jurong City according to the Government of Zhenjiang.



Although the total profits and the added values of industrial enterprises above designated size are yet to achieve the same level as in last year due to outbreak of COVID-19 in early 2020, the trend clearly indicates a fast recovery of industrial activities in Jurong City.

Matters that Might Affect the Value 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 value 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 property valued nor any expenses or taxation which may be incurred in affecting a sale of the property. It is further assumed that the property is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

Unless otherwise stated, in our valuation, we have assumed that the property 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 the property which may affect the reported findings or value in our work product. Thus, we are not in the position to report and comment on its impact (if any) on the property. 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 reported herein.

With the outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a 'Global Pandemic' on the 11 March 2020, the local real estate market is greatly affected leading to comparatively lower levels of transactional activity and liquidity. There has been a shortage of market evidence for comparison purposes to make a well-informed opinion of values as at the Valuation Date. Our valuation of the property is therefore reported as being subject to valuation uncertainty at times of market unrest as set out in IVS. As a consequence, less certainty – and a higher degree of caution – should be accorded to our valuation than would normally be the case. For the avoidance of doubt, this valuation uncertainty clause does not mean that the valuation cannot be relied upon. Rather, this is to ensure transparency of the fact that – under the current extraordinary circumstances – less certainty can be accorded to the valuation than would otherwise be the case. This clause serves as a precaution and it does not invalidate the valuation. With the unknown future impact that COVID-19 might have on the real estate market and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that the valuation contained within this report should be under frequent review.

Establishment of Titles

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party in the property has free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the property at their 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, and that the Vendor B has the right to occupy or to use its relevant property. 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 the property 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 property.

We have been provided with copies of the title documents of the property. 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 property 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 property 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 property in China. However, we have complied with the requirements as stated in the Listing Rules (as defined in this 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 property. We are given to understand that the PRC legal opinions were prepared by the Group's PRC legal adviser, Liaoning Gongdan Law Firm (遼寧宮丹律師事務所) in November 2020. 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 property 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 the property. 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 of the Property

We did not conduct on-site inspection to the Property around the Valuation Date due to the prevailing Novel Coronavirus (COVID-19) outbreak and travel limitations between China and Hong Kong. We have relied on the documents and information provided to us and our independent research in preparing the valuation. We have referred our previous inspection records on 16 October 2018 to 19 October 2018 and recent updates provided by the Instructing Party. As advised by the Instructing Party, there are no material physical changes of the property since our last inspection. The property was last inspected by Sr Elsa Ng (a Registered Professional Surveyor in Hong Kong and a Registered Real Estate Appraiser in the PRC). We have inspected the exterior, and where possible, the interior of the property 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 property which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work 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 property valued. We are not, however, able to report that the property are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the property, 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 property did not include an independent land survey to verify the legal boundaries of the property. 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 property that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the property 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 property, or have since been incorporated into the property, and we are therefore unable to report that the property is 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 property 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 property. We have not carried out any investigation into past or present uses, either of the property or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the property 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 property or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value 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 property, 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 Company.

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, development schedule, site and floor areas and all other relevant matters.

The scope of our work has been determined by reference to the property 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 Vendor B 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.

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.

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 valuations. 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 material 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 property held by the Vendor B for the Instructing Party's internal management reference purpose as at the Valuation Date in its existing state, and assuming free of all encumbrances, was in the order of **RENMINBI ONE HUNDRED SEVEN MILLION YUAN ONLY (RMB107,000,000)**.

Limiting Conditions

Our findings or value of the property 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. Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the property, and that the inspection and the use of this report do not purport to be a building survey of the property.

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 are required to 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 property 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 opinion of values and we have no significant interests in the property, Vendor B, the Group or the value 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

J. Junior Ho
B.Sc. M.Sc. RPS (GP)
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 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 and a registered real estate appraiser in the PRC.

Sr J. Junior Ho is a member of the HKIS and has been conducting valuation of real properties in Hong Kong, Macau, Taiwan, mainland China, Canada, the United Kingdom, France, Singapore, Guyana, Samoa, Argentina and Vietnam since 2010.

PROPERTY PARTICULARS WITH VALUE

Property held by the Vendor B under long-term title certificates in the PRC and valued on market value basis

Property	Description	Particulars of occupancy	Amount of valuation in its existing state attributable to the Vendor B as at 15 August 2020
A factory complex on portion of a parcel of land known as 2017-5-1-04 Hao and located at East of intersection between Wenxi Road and Ningsu Road Guozhuang Town Jurong City Jiangsu Province The PRC 212400	<p>The property comprises 3 various major buildings erecting on a parcel of land having a total site area of approximately 74,657.7 sq. m.</p> <p>According to information provided by the appointed personnel of the Company, the property comprises 3 various buildings with a total gross floor area of 44,051.95 sq.m. The buildings were completed in 2018. (See Notes 2 to 5 below)</p> <p>The locality of the property is within a high-tech industrial zone in Jurong. Residential developments also situated in the near vicinity.</p> <p>The property is subject to a right to use the land for a term 50 years commencing from 10 January 2018 to 9 January 2068 for industrial usage. (See Note 1 below)</p>	<p>As confirmed by the appointed personnel of the Company, as at the Valuation Date, the property was subject to tenancy. (See Notes 4 and 5 below)</p>	<p>RMB107,000,000</p> <p>100 per cent. interest</p>

Notes:

- The rights to possess the land is held by the State and the rights to use the land has been granted by the State to Huajun Power (Jurong) Co., Ltd (華君電力句容有限公司) (hereinafter referred to as “Vendor B”) (formerly known as Jiangsu Xietong Solar Technology Co.,Ltd (江蘇協通光伏科技有限公司) and hereinafter referred to as “Xietong”) via a Real Estate Certificate (不動產權證) known as Su (2019) Ju Rong Shi Bu Dong Chan Quan 0055426 Hao (蘇(2019)句容市不動產權第0055426號) dated 20 September 2019 and issued by the Real Estate Registry Bureau of Jurong City (句容市不動產登記局) with a site area of 107,326.00 sq.m. (in which the property forms part) for a term of 50 years commencing from 10 January 2018 to 9 January 2068 for industrial usage. The land was acquired in January 2018 and at a consideration of RMB32.2 million. As confirmed by the appointed personnel of the Company, 49 Chinese mu of the land does not form part of the property.
- Pursuant to a Real Estate Certificate known as Su (2019) Ju Rong Shi Bu Dong Chan Quan Di 0055426 Hao (蘇(2019)句容市不動產權第0055426號) dated 20 September 2019 and issued by Real Estate Registry Bureau of Jurong City, the legally interested party in the property comprising 3 various industrial buildings with a total gross floor area of 44,051.95 sq.m. is Vendor B. The details are summarised below:

Buildings	Gross Floor Area (sq.m.)
A single storey factory building	22,594.98
A single storey factory building	10,718.82
A single storey factory building	10,738.15
	Total:
	44,051.95

- Pursuant to a Notification of Permission of Change of Company Registry (公司准予變更登記通知書) dated 12 October 2019 and issued by Administration and Approval Bureau of Jurong City (句容市行政審批局), the company name of Xietong has changed to Huajun Power (Jurong) Co., Ltd (華君電力(句容)有限公司), which is the Vendor B in this circular.
- According to a tenancy agreement dated 17 December 2018, the property including all buildings and structures erected thereon the land and mentioned in Notes 1 and 2 manufacturing equipment were leased to Suzhou GCL Photovoltaic Technology Co., Ltd. (蘇州協鑫光伏科技有限公司, hereinafter referred to as “Suzhou Xiexin”) by Xietong for a term of 5 years commencing from 17 December 2018 to 16 December 2023 at an annual rental of RMB45,000,000 excluding all outgoing expenses.
- According to a Supplementary Agreement among Xietong, Suzhou Xiexin and Jurong Sub-branch, Suzhou GCL Photovoltaic Technology Co., Ltd. (蘇州協鑫光伏科技有限公司句容分公司, hereinafter referred to as “Jurong Xiexin”) dated 1 April 2019, various additional clauses have added in the agreement:
 - the original agreement remained active with Xie Tong as Landlord and Jurong Xiexin as New Tenant, Suzhou Xiexin exited the original agreement;
 - the rental from 17 December 2018 to 28 February 2019 was paid by Suzhou Xiexin and the rental from 1 March 2019 would be paid by Jurong Xiexin; and
 - the original annual rental of RMB45,000,000 was broken down as RMB4,000,000 per year for the buildings and structures and RMB41,000,000 per year for the manufacturing equipment.

6. The comparable land parcels adopted in this valuation were selected in the period from January to July 2020 in Jurong City, same as the subject. Selecting criteria include land usage, location and sizes. The average unit price per site area of comparable land parcels adopted was approximately RMB450/sq.m. on site area, which was considered appropriate according to the local land market research. The transaction details of the adopted comparable land parcels, which are all for industrial usage, are summarized below:

Transaction Date	Location	Site Area (sq.m.)	Consideration (RMB)	Unit Price per Site Area (RMB/sq.m.)
23 June 2020	Jurong City, Jiangsu Province	16,635	7,490,000	450
23 June 2020	Jurong City, Jiangsu Province	11,002	4,950,000	450
3 January 2020	Jurong City, Jiangsu Province	18,929	8,520,000	450
3 January 2020	Jurong City, Jiangsu Province	34,115	15,360,000	450
3 January 2020	Jurong City, Jiangsu Province	51,330	23,100,000	450

7. According to the legal opinions prepared by the Group's PRC legal adviser, the following opinions are noted:
- (i) Vendor B is the legally interested party in the property mentioned above and has fully paid the land consideration, Vendor B has the right to occupy, use and assign the property;
 - (ii) the parcel of land is subject to mortgage as at the Valuation Date in favour of Guozhuang Sub-branch, Jiangsu Jurong Rural Commercial Bank Co., Ltd (江蘇句容農村商業銀行股份有限公司); and
 - (iii) during the mortgage period, Vendor B may transfer the property with the consent of the mortgagee, or the assignee paying off the mortgage mentioned in Note 7(ii).

(2) PLANT AND MACHINERY VALUATION REPORT



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 (“IVS”) published by the International Valuation Standards Council which 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 readers’ identification purpose only and have no legal status or implication in this report. This report is prepared and signed off in English format, translation of this report in language other than English 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 date of this report. If additional documents and facts are made available, we reserve the right to amend this report and its conclusion.

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

5 November 2020

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

Dear Sirs,

1. INSTRUCTIONS

With reference to the instructions of the present management of China Huajun Group Limited and its subsidiaries (hereinafter referred to as the “**Group**”), we have conducted a valuation of certain designated plant, machinery and equipment (“**Subject Plant and Machinery**”), presented to us as those held by Huajun Power (Jurong) Co., Ltd. (華君電力(句容)有限公司) and its subsidiaries (the “**Target Company**”), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of their Fair Market Value in Continued Use as of 15 August 2020 (“**relevant valuation date**”) for the Group’s internal management reference purpose.

Subsequent to the above instructions, we commenced with our valuation by conducting an on-site inspection of the Subject Plant and Machinery, held discussions with relevant personnel of the Group and Target Company, gathered relevant documents such as equipment supply contracts, financial information, production flow diagrams, equipment drawings and equipment specifications, and made necessary research and enquiries to complete our valuation.

Based on the instructions of the Group, it is understood that our work product will be used as part of its business due diligence and we have not been engaged to make specific sale or purchase recommendations. We further understand that the management of the Group will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the management of the Group should conduct in reaching its business decision. Our findings and conclusions in this valuation are documented below.

At the request of the management of the Group, we have prepared this summary report to summarize our findings and conclusions, as documented in our detailed valuation reports of the same date, for the purpose of inclusion in this circular for the reference of the Group's shareholders. Terms used herein without definition shall have the same meanings as in the detailed valuation reports, and the assumptions and caveats adopted in the detailed valuation reports also apply to this summary report.

2. DESCRIPTION OF THE SUBJECT PLANT AND MACHINERY

The Subject Plant and Machinery presented to us as those of Huajun Jurong comprise various equipment relating to the production and manufacturing of monocrystalline and polycrystalline photovoltaic solar wafers such as brick ingot adhesive system, diamond wire cutting machine, ingot slicer, automatic washing machine, automatic adhesive washing machine, automatic sorting machine, and various brick ingot and wafer testing equipment. Also included are various production related equipment for the supply of various utilities such as water supply and treatment equipment, compressed air system, air conditioning system and electricity supply system.

Other plant and machinery included in the valuation are various office computers and office equipment, office furniture, canteen and kitchen equipment, various carts and material handling equipment and maintenance workshop equipment. The Subject Plant and Machinery included in the valuation was based on the fixed asset list of Huajun Jurong provided to us during the course of our valuation.

We were informed that installation of the equipment started in early 2018 with start-up test production commencing in September 2018. We understand from the information provided to us, the production line, based on the equipment installed, have the capacity to produce about 4 gigawatts (gW) of wafers per year.

The Subject Plant and Machinery were inspected in its factory site located at Guozhuang Town, Jurong City, Jiangsu Province, the People's Republic of China ("PRC").

2.1 Exclusions

This valuation is limited to the Subject Plant and Machinery described above and was based on the list provided to us. Other assets like real estate and other types of assets like spare parts, supplies, inventories, materials on hand, all other tangible assets that are current in nature and intangible assets that might exist were excluded.

2.2 Inspection

We conducted our inspection of the Subject Plant and Machinery on 16 to 19 October 2018. Inspection was conducted by Mr. Philip Shia. He has over 10 years working experience in the electrical equipment and accessories industry and about 6 years working in plant and machinery valuations.

During our inspection, we observed the operation of the relevant machinery and equipment of Huajun Jurong while undergoing start-up tests to ascertain the equipment are operating according to the manufacturers specifications. We observed that the equipment are in generally new condition.

We did not conduct on-site re-inspection to the Subject Plant and Machinery due to the prevailing Novel Coronavirus (COVID-19) outbreak. We have relied on the documents and information provided to us and our independent research in preparing the valuation. We have referred to our previous inspection records in October 2018 and recent updates provided by the Group. As advised by the Group, there are no material physical changes of the Subject Plant and Machinery since our last inspection.

3. BASIS OF VALUATION

We have valued the Subject Plant and Machinery on the basis of Fair Market Value in Continued Use with assumed earnings. This is defined by the American Society of Appraisers (ASA) as:

“An opinion, expressed in terms of money, at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts, as of a specific date and assuming that the business earnings support the value reported, without verification.”

Under the premise of continued use, the opinion of fair market value assumes operation of the Subject Plant and Machinery in its present location for its continued use as part of the existing business or for which it was conceived.

This basis of value is similar to the definition of Market Value of the International Valuation Standards under the premise of existing use.

This opinion of value is not related to or dependent upon the earning capacity of the business the Subject Plant and Machinery are in use. It assumes that prospective earnings would provide a reasonable return to the plant and machinery valued, plus the value of other assets not included in this valuation and adequate working capital.

4. VALUATION METHODOLOGY

There are three generally accepted approaches to value, namely:

The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transportation, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation from physical deterioration, condition, utility, age and functional and economic/external obsolescence.

The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to investment properties, general-use properties where there is an established and identifiable rental market or to an aggregation of assets in an entire business enterprise including working capital and tangible and intangible assets.

In all situations, all approaches to value must be considered, as one or more may be applicable to the Subject Plant and Machinery. In some situations, elements of the three approaches may be combined to reach a value conclusion. However, the relative strength, applicability, and significance of the approaches and their resulting values must be analyzed and reconciled.

5. VALUATION ANALYSIS

During our valuation, we considered all three approaches to value and adopted the cost approach as the main valuation approach considering the specialized design and production layout of the Subject Plant and Machinery and that it is a relatively new production equipment. The market approach was used to assess the reasonableness of the purchase prices of the Subject Plant and Machinery. The income approach was found inappropriate since there is no available market rental data for similar solar panel manufacturing plants and discrete cash flows attributable to the Subject Plant and Machinery.

In conducting our valuation, we made an on-site inspection of the Subject Plant and Machinery, gathered relevant equipment supply contracts, accounting and financial information and interviewed relevant factory personnel to understand the condition, usage, maintenance, operation and history of the Subject Plant and Machinery. We also investigated market conditions and researched prevailing prices of similar plant and machinery.

In using the cost approach, we estimated the gross current replacement cost of the Subject Plant and Machinery and depreciated the gross current replacement cost to arrive at the depreciated replacement cost. The depreciated replacement cost was then taken as the fair market value in continued use of the Subject Plant and Machinery.

For the purpose of this valuation, gross current replacement cost is defined the cost of replacing or constructing a property of equivalent size and utility at current prices using modern materials and according to modern standards, design and layout. We arrived at the gross current replacement cost taking into consideration the basic equipment cost including other associated costs such as freight and handling, installation, design and engineering fees, and contractor's fees and overhead.

We arrived at our depreciation by reference to generally accepted service lives of similar equipment with adjustment to reflect their existing physical condition based on our on-site inspection and recent additional information provided to us for the purpose of this valuation. Adjustment to account for physical and economic obsolescence, if applicable, as well as any technical deficiencies associated with new installation were then considered to arrive at the depreciated replacement cost. Depreciated replacement cost was reviewed for reasonableness in comparison to similar production equipment and production lines available in the market.

6. VALUATION COMMENTS

We reviewed historical accounting records, technical specifications and other documents relating to the Subject Plant and Machinery. Though we have not carried out an independent investigation of the said information, we found no reason not to rely to a considerable extent on such information in arriving at our opinion of value.

We have assumed that all material information that would affect the value of the Subject Plant and Machinery has been properly disclosed.

We confirm that we have no present or contemplated future interest in the Subject Plant and Machinery or any other interests that may prevent our having arrived at a fair and unbiased assessment of value.

No deduction has been made in our valuation in respect of any outstanding amounts owing under any finance lease or hire purchase agreement, pre-payments and construction in progress. The assets have been valued as being wholly owned and free of all encumbrances. We have not investigated the titles to or any liabilities affecting the Subject Plant and Machinery.

This valuation is concerned solely with the value of the Subject Plant and Machinery and our opinion of value is not related to or dependent upon the earning capacity of the business. We did not attempt to arrive at the value of the factory as a total business entity.

This report has been made in consideration with the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers and the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation on Personal Property valuations and in line with the ethics and guidelines as contained in the International Valuation Standards published by the International Valuation Standards Committee. This valuation has been prepared for the sole use of the Group for its intended purpose.

With the outbreak of the Novel Coronavirus (COVID-19), there has been comparatively large number of factories closing but lower levels of transactional activity and liquidity. Higher degree of caution should be accorded to valuations than would normally be the case. With the unknown future impact that COVID-19 might have on manufacturing and the difficulty in differentiating between short term impacts and long-term structural changes, we recommend that valuations should be reviewed as these uncertainties are reduced.

We retain a copy of this report in our files, together with the data from which it was prepared. We considered these records confidential, and do not permit access to them by anyone without the client's authorisation and prior arrangement made with us. Moreover, we will add the name of the client into our client list for our future reference.

7. GENERAL ASSUMPTIONS AND LIMITING CONDITION

This valuation reports is made subject to the following General Assumptions and Limiting Conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title or encumbrances. Titles to the assets are assumed to be good and marketable unless otherwise stated. The assets are further assumed to be free and clear of any or all liens, easements or encumbrances, unless otherwise stated.
2. Information furnished by others, upon which all or portions of this report is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.

3. This report has been made only for the purposes stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitation, any conclusions as to value or the identity of LCH (Asia-Pacific) Surveyors Limited (“LCH”) or any individuals signing or associated with this report or the professional associations or organisations with which they are affiliated), shall be disseminated to third parties by any means without the prior written consent and approval of LCH.
4. Neither LCH nor any individuals signing or associated with this report shall be required by reason of this report to give further consultation, testimony, or appear in court or other legal proceedings, unless prior specific arrangements have been made.
5. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions that occur subsequent to the appraisal date hereof.
6. The date of value to which the opinions expressed in this report apply is set forth in this report.
7. Unless otherwise stated, it is assumed that all required licenses, certificates, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in this report are based.
8. Full compliance with all applicable state and local zoning, use, environmental, and similar laws and regulations is assumed unless otherwise stated.
9. Responsible ownership and competent management are assumed.
10. In connection with this assignment, the client agrees to indemnify and hold harmless LCH and its personnel from any claims, liabilities, costs and expenses (including, without limitation, attorneys’ fees and the time of LCH personnel involved) brought against, paid or incurred by LCH at a time and in any way based on the information made available in connection with LCH’s work product except to the extent any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of the LCH engagement team in conducting its work.

8. OPINION OF VALUE

Based on the above analysis and specified assumptions, it is our opinion that as at 15 August 2020, the appraised Fair Market Value in Continued Use with assumed earnings of the Subject Plant and Machinery for the Group's internal management reference purpose is fairly represented in the amount of **RMB244,646,180 (RENMINBI YUAN TWO HUNDRED FORTY FOUR MILLION SIX HUNDRED FORTY SIX THOUSAND ONE HUNDRED EIGHTY)**. This amount is broken down into:

Description	Fair Market Value in Continued Use (RMB)
Huajun Power (Jurong) Co., Ltd.	
辦公設備 (Office Equipment)	133,290
工具, 器具, 用具 (Tools, Appliance & Utensils)	1,029,420
機器設備 (Machinery & Equipment)	414,150
運輸設備 (Motor Vehicles)	340,240
電子設備 (Electronic Equip.)	153,680
協通大型機械設備 (Large Machinery & Equipment)	<u>242,575,400</u>
Total:	<u><u>244,646,180</u></u>

This valuation is subject to our standard General Assumptions and Limiting Conditions as shown in Section 7.

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

Rolando R. Arcaya *BSME, ASA*
Director

Note: Mr. Rolando R. Arcaya is a mechanical engineer and a senior accredited appraiser (ASA designation) of the American Society of Appraisers in Machinery and Technical Specialties/Machinery and Equipment. He has over 30 years plant and machinery valuation experience of which over 25 years were spent in Hong Kong and mainland China.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

<i>Authorised</i>		<i>HK\$</i>
<u>400,000,000</u> Shares		<u>400,000,000</u>
<i>Issued and fully paid</i>		<i>HK\$</i>
<u>61,543,075</u> Shares		<u>61,543,075</u>

3. DISCLOSURE OF INTERESTS

Interest of Directors and Chief Executive in the Company

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

Interests in the Shares of the Company

Director	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Mr. Meng	89,290,151 (L)	Interest in controlled corporation (<i>Note 1, 2 & 3</i>)	145.09%
	859,320 (L)	Beneficial owner	1.40%
	387,351 (L)	Share options (<i>Note 4</i>)	0.63%
Ms. Zhang Ye	274,050 (L)	Share options (<i>Note 5</i>)	0.45%
Ms. Bao Limin	274,050 (L)	Share options (<i>Note 5</i>)	0.45%
	12,960 (L)	Beneficial owner	0.02%
Ms. Huang Xiumei	274,050 (L)	Share options (<i>Note 5</i>)	0.45%
	3,240 (L)	Beneficial owner	0.01%
Mr. Zheng Bailin	38,735 (L)	Share options (<i>Note 6</i>)	0.06%
Mr. Shen Ruolei	38,735 (L)	Share options (<i>Note 6</i>)	0.06%
Mr. Pun Chi Ping	38,735 (L)	Share options (<i>Note 6</i>)	0.06%

Notes:

- Long positions in 76,166,408 Shares are held by Huajun Group Limited (華君集團有限公司), a company incorporated in Hong Kong with limited liability, which in turn was 100% beneficially owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by Huajun Group Limited by virtue of SFO. Amongst interests in 76,166,408 Shares, interests in 31,715,789 Shares arising from issue of unlisted convertible bond under specific mandate.

2. Long positions in 2,834,000 Shares are held by Chinese Meng Group Co., Limited (中國孟集團股份有限公司) (a company incorporated in Hong Kong) and ultimately owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by Chinese Meng Group Co., Limited by virtue of SFO. Interests in the aforesaid 2,834,000 Shares arises from issue of convertible bond under specific mandate which has not been issued and is subject to independent shareholders' approval as announced by the Company on 5 June 2020.
3. Long positions in 7,794,217 Shares are held by the Vendor B and long positions in 2,495,526 Shares are held by the Vendor A. Both are the companies incorporated in the PRC and wholly owned by Jurong Zhongyou Photovoltaic Technology Co., Ltd* (句容中友光伏科技有限公司), which in turn is 100% owned by Huajun Real Estate Group Co., Ltd* (華君置業集團有限公司) directly and indirectly owned in majority by Huajun Investment Group Limited* (華君控股集團有限公司) and ultimately owned by Mr. Meng and his spouse. Mr. Meng was deemed to be interested in all Shares held by the Vendor B and the Vendor A by virtue of SFO. Interests in the aforesaid 10,289,743 Shares arises from issue of unlisted convertible bond under specific mandate which has not been issued and is subject to independent shareholders' approval.
4. The share options (save as those granted to Mr. Meng) were granted to the respective Directors on 7 February 2017 and Mr. Meng was granted his share options on 16 March 2017. The exercise period of the share options commenced from their respective date of grant to 6 February 2027 with an exercise price of HK\$78.00.

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

Interests in shares in associated corporation

Associated corporation	Director	Capacity	Amount of issued share capital	Percentage of interest in the capital of the associated corporation
Huajun Group Limited (華君集團有限公司)	Mr. Meng	Beneficial owner	HK\$3,000,000,000	100%

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	90,536,822 (L)	Interest held by spouse (Notes 1, 2 & 3)	147.11%
Huajun Group Limited (華君集團有限公司)	76,166,408 (L)	Beneficial owner (Note 1)	123.76%
Huajun Investment Group Limited* (華君控股集團有限公司)	10,289,743 (L)	Interest of controlled corporation (Note 3)	16.72%
Huajun Real Estate Group Co., Ltd* (華君置業集團有限公司)	10,289,743 (L)	Interest of controlled corporation (Note 3)	16.72%
Huajun Power (Jurong) Co., Ltd* (華君電力(句容)有限公司)	7,794,217 (L)	Beneficial owner	12.66%
Mr. Meng	859,320 (L)	Beneficial owner	1.40%
	89,290,151 (L)	Interest of controlled corporation (Notes 1, 2 & 3)	145.08%
	387,351 (L)	Share Options	0.63%
Ouke Group Holdings Limited	4,559,326 (L)	Beneficial owner	7.41%

Notes:

- 76,166,408 Shares are held by Huajun Group Limited (華君集團有限公司) as long position, which is directly wholly-owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by virtue of SFO. Interests in 31,715,789 Shares arising from issue of convertible bond under specific mandate. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by Mr. Meng.
- 2,834,000 Shares are held by the Chinese Meng Group Co., Limited (中國孟集團股份有限公司) that are arising from the proposed issue of convertible bond under specific mandate which has not been issued and is subject to independent shareholders' approval, as announced by the Company on 5 June 2020. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by Mr. Meng.
- 7,794,217 Shares are held by the Vendor B and 2,495,526 Shares are held by the Vendor A that are arising from the proposed issue of convertible bond under specific mandate which has not been issued and is subject to independent shareholders' approval. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares 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
Nuada Limited	a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
LCH (Asia-Pacific) Surveyors Limited	Independent property valuer
Yongtuo Fuson CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts has no shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, advice and/or references to its name, in the form and context in which it appears.

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 2019, 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.

The Group has entered into a cooperation agreement in relation to the establishment of joint venture for development of properties 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 proceeding against the Group regarding the alleged breach of the cooperation agreement to claim the sum of (i) RMB50 million as the refund of deposit; and (ii) RMB80 million for breach of contract. The first hearing of the legal proceeding was held in March 2019 and a judgement has been released on 25 September 2019 in favour of the counterparty. As at the Latest Practicable Date, the Group has lodged an appeal against this decision but no judgement from the appeal is available. 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 of RMB80 million made in the consolidated financial statements for the nine months ended 31 December 2018 is adequate. For further details of the said cooperation agreement, please refer to the announcement of the Company dated 20 June 2017.

In January 2020, Shanghai Yiyi (Greenland) Investment Partnership (Limited Partnership)* (上海廩溢(綠地)投資合夥企業(有限合夥)) issued and filed a statement of claim with the Shanghai Financial Court* (上海市金融法院) against Baohua Real Estate (Jiangsu) Company Limited* (保華地產(江蘇)有限公司) (“**Baohua Jiangsu**”), which is a subsidiary of the Company, in which it was alleged that Baohua Jiangsu has defaulted in payment of loan for an amount of approximately RMB169.5 million (original loan principal amount of RMB450 million of which RMB280.5 million was partially repaid). The said loan was guaranteed by (i) Mr. Meng Guang Bao, an executive director and chairman of the Board; and (ii) the Company. For further details, please refer to the inside information announcement of the Company dated 28 February 2020. The first court hearing for the above claim took place on 11 August 2020. As at the Latest Practicable Date, no judgement has been given.

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.

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 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;
- (b) 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);
- (c) 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);
- (d) 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;

- (e) 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);
- (f) 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);
- (g) the agreement dated 6 December 2018 entered into among Mr. Cong Liming (叢黎明) and Liaoning Huajun Equipment Manufacturing Co., Limited* (遼寧華君裝備製造有限公司), as vendors, and Huajun Industrial Park Management (China) Limited* (華君產業園管理(中國)有限公司), as purchaser pursuant to which the vendors have conditionally agreed to sell and Huajun Industrial Park Management (China) Limited has conditionally agreed to purchase the entire equity interest in Dalian Hydraulic Machinery Co., Limited* (大連液力機械有限公司) at the aggregate consideration of RMB36 million;
- (h) 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;
- (i) 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;

- (j) 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**”);
- (k) 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);
- (l) 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;

- (m) the notice of Listing-for-Sale and the Transaction Confirmation Letter* (成交確認書) dated 18 July 2019 issued by the Nanjing Land and Resources Bureau Liuhe Branch* (南京市國土資源局六合分局) in respect of the acquisition 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, by New Island Packaging Technology (Jiangsu) Company Limited* (新洲包裝科技(江蘇)有限公司) at the consideration of RMB26,150,000;
- (n) the subscription agreement dated 16 August 2019 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 (which has been lapsed on 31 December 2019);
- (o) the Transaction Confirmation Letter of state-owned construction land use rights* (國有建設用地使用權出讓成交確認書) dated 21 December 2019 issued by the Nanjing Planning and Natural Resources Bureau Liuhe Branch* (南京市規劃和自然資源局六合分局) in respect of the acquisition 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 122,925.61 sq.m., by Huajun Power (Nanjing) Co., Limited* (華君電力(南京)有限公司) at the consideration of RMB48,560,000;
- (p) the subscription agreement dated 22 January 2020 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 (which was lapsed on 30 June 2020);
- (q) the Sale and Purchase Agreement dated 30 March 2020 was entered into between Baohua Properties (China) Limited* (保華地產(中國)有限公司) and Changzhou Shiao New Energy Co., Ltd* (常州世傲新能源有限公司), in respect of the disposal of sale shares and the sale loan owned by Huaren Real Estate (Huai'an) Co., Ltd* (華仁置業(淮安)有限公司) at a consideration of RMB252,110,000;
- (r) the agreement dated 5 June 2020 entered into by Chinese Meng Group Co., Limited (中國孟集團股份有限公司) and Huajun Department Store (Dalian) Co., Ltd.* (華君百貨(大連)有限公司) in respect of the acquisition of the entire equity interest in and debt owed by Henglifeng Mall (Dalian) Co., Ltd.* (恒利豐商城(大連)有限公司) at a consideration of RMB98,800,000;
- (s) the Agreement A;
- (t) the Agreement B;

- (u) the Sale and Purchase Agreement dated 29 July 2020 was entered into between Huajun Power Group Co., Ltd.* (華君電力集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor, and Changzhou Zhuoxin Real Estate Co., Ltd.* (常州卓信置業有限公司), as purchaser, in respect of the disposal of 100% equity interests of and an aggregate amount of RMB120,000,000 owed by Huajun Intelligent Energy Company Limited* (華君智慧能源有限公司) at a consideration of RMB120,000,000; and
- (v) the Sale and Purchase Agreement dated 31 July 2020 was entered into between Baohua Real Estate Management (Yingkou) Co., Ltd.* (保華置業管理(營口)有限公司), an indirect wholly-owned subsidiary of the Company, as vendor, and Yingkou Ouya Industrial Co., Ltd.* (營口歐雅實業有限公司), as purchaser, in respect of the disposal of 100% equity interest and the paid-up capital of Wuxi Huiyuan Real Estate Co., Ltd.* (無錫市惠遠置業有限公司) at a consideration of RMB127,000,000.

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 weekday (except public holidays) for the period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 March 2017, 31 March 2018 and 31 December 2019;
- (c) each of the material contracts as referred to in the section headed "Material contracts" in this appendix;
- (d) the letter of recommendation dated 5 November 2020 from the Independent Board Committee to the Independent Shareholders;
- (e) the letter of advice from Nuada Limited to the Independent Board Committee and the Independent Shareholders;
- (f) the Valuation Reports A, the text of which is set out in the Appendix III of this circular;
- (g) the Valuation Reports B, the text of which is set out in the Appendix IV of this circular;
- (h) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;
- (i) the Agreement A;
- (j) the Agreement B;
- (k) the circulars of the Company dated 26 March 2020, 29 April 2020, 14 May 2020, 5 August 2020 and 7 September 2020; and
- (l) this circular.



CHINA HUAJUN GROUP LIMITED

中國華君集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

NOTICE IS HEREBY GIVEN that a special general meeting (the “**Meeting**”) of China Huajun Group Limited (the “**Company**”) will be held at 3:00 p.m. on 23 November 2020 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 5 November 2020 (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 A for the sale and purchase of the Assets A (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 30 June 2020 and entered into between the Company and the Vendor A at the consideration of RMB87,000,000 or the valued amount, whichever is the lower, to be satisfied in full by the issue of Convertible Bond, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the Agreement B for the sale and purchase of the Assets B (including the (a copy of which has been produced to the Meeting marked “B” and initialed by the chairman of the Meeting for identification purpose) dated 30 June 2020 and entered into between the Company and the Vendor B at the consideration of RMB271,725,000 or the valued amount, whichever is the lower, to be satisfied in full by the issue of Convertible Bond, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

- (c) the terms and conditions of the instrument of the convertible bond (the “**Instrument**”) to be executed by the Company in relation to the Convertible Bond to be issued by the Company to the Vendors or its nominee under the Specific Mandate (a copy of which has been produced to the Meeting marked “C” and initialed by the chairman of the Meeting for identification purpose), subject to the Completion, which are convertible into Conversion Shares pursuant to the Instrument at the initial conversion price of HK\$38.00 per share (subject to adjustments) be and are hereby approved, confirmed and ratified;
- (d) the grant of the Specific Mandate to the Directors to issue the Convertible Bond to the Vendors respectively pursuant to the Agreements and to issue and allot the Conversion Shares to the Vendors pursuant to the Instrument be and is hereby approved, confirmed and ratified. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and
- (e) 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 issue of the Convertible Bond to the Vendors including but not limit to the extend the Conditions Fulfillment Date to a date falling on or before 30 June 2022.”

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

Hong Kong, 5 November 2020

Notes:

1. In order to determine the entitlement to attend and vote at the special general meeting, the register of members of the Company will be closed from Wednesday, 18 November 2020 to Monday, 23 November 2020, both days inclusive, during which no transfer of shares will be registered. Shareholders whose names appear on the register of members of the Company on Wednesday, 18 November 2020 shall be entitled to attend and vote at the Meeting. In order to ascertain shareholders’ rights for attending and voting at the special general meeting, all transfers accompanied by the relevant share certificates must be lodged with 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 for registration not later than 4:00 p.m. on Tuesday, 17 November 2020.
2. 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.

3. 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.
4. 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.
5. 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.
6. 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.
7. 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, Ms. Zhang Ye, Ms. Huang Xiumei and Ms. Bao Limin as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.