THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN AND DEBT DUE BY HENGLIFENG MALL (DALIAN) CO., LTD* INVOLVING ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE AND (2) NOTICE OF SPECIAL GENERAL MEETING

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 Monday, 28 September 2020 at Conference Room, 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong is set out on pages V-1 to V-2 of this circular.

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

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.

* *For identification purpose only*

7 September 2020

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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.

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

"Acquisition"	the acquisition of the Target Equity Interest and the Debt contemplated under the Agreement
"Agreement"	the agreement dated 5 June 2020 entered into by the Vendor and the Purchaser in respect of the Acquisition
"Announcement"	the announcement of the Company dated 5 June 2020 relating to the Acquisition
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	the holder(s) of the Convertible Bond
"Bond Instrument"	the instrument constituting the Convertible Bond to be executed by the Company to the Vendor upon Completion
"Business Day(s)"	a day (excluding Saturday or Sunday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted or a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong and PRC are generally open for business
"CHG"	China Huajun Group Limited, a company incorporated in the British Virgin Islands and a controlling Shareholder (as defined under the Listing Rules) of the Company, which is ultimately wholly-owned by Mr. Meng
"closing price"	closing price per Share for any trading day as published by the Stock Exchange
"Company"	Huajun International Group Limited (Stock Code: 377), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Agreement

"Completion Date"	the date on which Completion take place in accordance with the Agreement, which is within five Business Days after the date of fulfilment (or waiver, as the case may be) of the last of the Conditions (or such other date as the Purchaser and the Vendor shall agree in writing)
"Condition(s)"	the conditions precedent of the completion of the Agreement as set out in the paragraph headed "Conditions Precedent" in the Letter of the Board in of this circular
"Conditions Fulfillment Date"	30 June 2021, as extended by the Vendor and Purchaser by the Confirmation or such later date as agreed between the parties
"Confirmation"	the confirmation dated 1 September 2020 entered into between the Vendor and the Purchaser to extend the Conditions Fulfillment Date, as disclosed by the Company in its announcement dated 1 September 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB98,800,000 (equivalent to approximately HK$107,692,000), the total consideration for the Target Equity Interest and the Debt under the Agreement
"Convertible Bond"	convertible bond in the aggregate amount of HK$107,692,000 to be issued by the Company, pursuant to the Bond Instrument
"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 there of into Conversion Shares
"Conversion Shares"	2,834,000 new Shares which may fall to be allotted and issued by the Company to the Vendor at the Conversion Price, credited as fully paid, upon full exercise of the Conversion Rights by the Vendor

"Debt"	a sum of not less than RMB90,000,000 (equivalent to approximately HK$98,100,000), representing the amount (whether principal, interest or otherwise) owed by the Target Company to the Vendor at Completion, and subsequently owed by the Target Company to the Purchaser after Completion
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Agreement, the transactions contemplated thereunder and the grant of 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 Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate
"Independent Shareholders"	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolutions approving the Agreement and the transactions contemplated thereunder and the grant of the Specific Mandate
"Independent Third Party(ies)"	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules), and the term "Independent Third Party" shall be construed accordingly

"Independent Valuer"	LCH (Asia-Pacific) Surveyors Limited, the independent valuer engaged by the Purchaser for preparing the valuation report in respect of the valued amount of the property interests
"Issue Price"	the issue price of the Convertible Bond, which shall be 100% of the principal amount of the Convertible Bond
"Last Trading Day"	4 June 2020, being the last trading day immediately before the entering into the Agreement
"Latest Practicable Date"	1 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
"Listing Committee"	has the meaning ascribed to it in the Listing Rules
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maturity Date"	the date falling on the fifth anniversary from the date of the issue of the Convertible Bond
"Mr. Meng"	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder (as defined under the Listing Rules) of the Company
"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 Department Store (Dalian) Co., Ltd.* (華君百貨(大連)有限公司), a company established in the PRC with limited liability, which is 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 Agreement and the transactions contemplated thereunder and other ancillary matters as may be required under the Listing Rules

"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Specific Mandate"	the specific mandate for the allotment and issuance of the 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 Buy-backs published by the SFC from time to time
"Target Company"	Henglifeng Mall (Dalian) Co., Ltd.* (恒利豐商城(大連)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
"Target Equity Interest"	the entire equity interest in the Target Company
"Target Property"	650 various commercial units located at Level 1 to 3 of Henglifeng shopping mall and situated at No. 151, Heping Road, Zhongchang Street, Jinzhou District, Dalian, the PRC, with a total gross floor area of approximately 31,075.84 square meters
"Vendor"	Chinese Meng Group Co., Limited (中國孟集團股份有限公司), a company established in Hong Kong with limited liability, which is ultimately wholly owned by Mr. Meng, chairman of the Board and executive Director of the Company
"%"	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.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

Executive Directors:
Mr. Meng Guang Bao
Ms. Zhang Ye
Ms. Huang Xiumei
Ms. Bao Limin

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

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

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

7 September 2020

To the Shareholders,

Dear Sir/Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN AND DEBT DUE BY HENGLIFENG MALL (DALIAN) CO., LTD* INVOLVING ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made to the Announcement published by the Company in relation to the Acquisition. 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 Consideration.

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

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

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

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

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

I. THE AGREEMENT

On 5 June 2020 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Target Equity Interest and the Debt at the Consideration of RMB98,800,000 (equivalent to approximately HK$107,692,000).

Principal terms of the Agreement are set out as follows:

Date: 5 June 2020

Parties: Vendor : Chinese Meng Group Co., Limited (中國孟集團股份有限公司)

Purchaser: Huajun Department Store (Dalian) Co., Ltd.* (華君百貨(大連)有限公司)

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

On 1 September 2020, the Vendor and the Purchaser signed a Confirmation to extend the Conditions Fulfilment Date from 31 December 2020 to 30 June 2021. Save as disclosed above, all other material terms and conditions of the Agreement remain unchanged and in full force and effect.

Asset to be Acquired

Pursuant to the Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, in aggregate the Target Equity Interest, representing the entire equity interest of the Target Company, and the Debt at the Consideration. The nature of the Debt is mainly intercompany balances with companies owned by Mr. Meng, and it is the understanding of the parties that there is no cap for the Debt. As informed by the Vendor, the Board expects that the final amount of the Debt is likely to exceed RMB90 million but not more than RMB93 million at Completion. However, the amount of Consideration paid by the Purchaser is fixed regardless of the final amount of the Debt at Completion, even if it does exceed RMB90 million.

As advised by the Vendor, the Target Company currently owns the Target Property, which is situated at No. 151, Heping Road, Zhongchang Street, Jinzhou District, Dalian, the PRC, with a total gross floor area of approximately 31,075.84 square meters. As advised by the Vendor, the Target Property is for commercial use and the Target Property comprises 650 various commercial units located at Level 1 to 3 of a 3-storey shopping arcade known as Henglifeng Shopping Mall* (恒利豐商城) which is currently subject to a mortgage (the "**Mortgage**"), in favour of Shengjing Bank Co., Ltd. Dalian Branch* (盛京銀行股份有限公司大連分行) in the principal amount of RMB350,000,000. Out of the total gross floor area of 31,075.84 square meters in the Target Property, as at 30 June 2020, (i) approximately 17,714.10 square meters has been leased out; (ii) approximately 12,871.54 square meters is vacant; and (iii) approximately 490.2 square meters is occupied by the Target Company for office use. Most of the leases are for an average term of approximately one year, and a small proportion of leases for the larger units range from a term of two to eight years. To the best of the Company's knowledge, the existing lessees are all Independent Third Parties. The term of Mortgage is for 5 years and the current outstanding amount to be paid as at the Latest Practicable Date is RMB349.26 million, which will be duly settled by the Vendor prior to Completion. As such, although the maturity date of the Mortgage is on 26 June 2024, it will be released accordingly before Completion.

The Company intends to use the current vacant properties of the commercial units of the Henglifeng Shopping Mall for lease.

Before Completion, the existing debts and liabilities of the Target Company are in the sum of RMB353.7 million, consisting of the bank borrowings of RMB349.26 million and other liabilities of approximately RMB4.5 million. The Vendor will reorganize the debts of the Target Company so that after the reorganization of the said debts, save and except the Debt, the Target Company shall have liabilities of no more than RMB2,600,000 (the "**Debt Reorganisation**") which consists of mainly rental deposits received from tenants.

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

Consideration

The Consideration, for the Target Equity Interest and the Debt shall be in aggregate of RMB98,800,000 (equivalent to approximately HK$107,692,000), comprising of RMB8,800,000 (equivalent to approximately HK$9,592,000) being the consideration for the Target Equity Interest and RMB90,000,000 (equivalent to approximately HK$98,100,000) being the consideration for the Debt. Pursuant to the Agreement, the Vendor and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK$1.09.

As advised by the Vendor, the original acquisition cost incurred by it for the acquisition of the Target Equity Interest in 2014 from an Independent Third Party was approximately RMB150,000,000 (equivalent to approximately HK$163,500,000). The reason for the difference between the Consideration for the Target Equity Interest and the original acquisition cost incurred by the Vendor is due to the change in market conditions from 2014 to 2020.

Pursuant to the Agreement, within 20 Business Days after the Completion Date, the Purchaser shall pay the Consideration to the Vendor by issue of the Convertible Bond, at the Issue Price, to the Vendor and/or its nominee.

The Consideration was determined by the Purchaser and the Vendor after arm's length negotiations with reference to (i) the preliminary valuation of the Target Property of approximately RMB196,000,000 as at 30 April 2020 prepared by an independent valuer; (ii) the unaudited net assets value of approximately RMB70.7 million of the Target Company as at 30 April 2020; (iii) the current nominal amount of the Debt in the sum of not less than RMB90,000,000 at Completion, to be assigned pursuant to the Agreement; and (iv) rental income expected to be generated by the Target Property of approximately RMB6.7 million, RMB7.2 million and RMB7.3 million for the years ending 31 December 2020, 2021 and 2022 respectively (the "**Estimated Rental Income**"). The abovementioned factors were taken into account during negotiations on an arm's length basis between the Vendor and the Company. The amount of preliminary valuation of the Target Property is approximately two times of the unaudited net assets value of the Target Company. To maximize the interest of the Company and its Shareholders as a whole, the Company targeted to set the consideration at the unaudited net assets value of the Target Company. After lengthy negotiation between the Company and the Vendor, the parties agreed to strike a balance between the unaudited net assets value of the Target Company and the preliminary valuation of the Target Property and The Vendor ultimately agreed to set the Consideration amount at a discount to the preliminary valuation of the Target Property. Therefore, the Directors consider that it is fair and reasonable and in the interests of the Company and Shareholders as a whole.

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

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

As disclosed in the Valuation Report, (i) the market approach (also known as sales comparison approach) was adopted by the Independent Valuer in valuing the vacant proportion of the Target Property; and (ii) the term and reversion method of the income approach, or sometimes referred to as a method of the market approach, was adopted by the Independent Valuer in valuing the Target Property which were subject to tenancy agreements as at 30 June 2020 (i.e. the valuation date).

In relation to the sales comparison approach, the Independent Valuer considered and analysed the commercial sales comparables in the Jinzhou District of Dalian, which were considered relevant to the Target Property in terms of physical and locational attributes. For further details, please refer to page III-13 of the Valuation Report.

In relation to the term and reversion method of the income approach, the underlying assumption is that an investor will pay no more for the property than he or she would have to be paid for another property with an income stream of comparable amount, duration, and certainty. In assessing the market value of the property on "as-is" basis and subject to the existing tenancy, the valuer considered the term and reversion method by summation of term value and reversionary value. This method is also known as investment method and sometimes this method is also referred to as market approach because the reversionary interests and the rate of return are market-derived. In assessing the term value, the valuer has adopted the rental payable specified in the existing tenancy agreements of the Target Property provided by the Company and applied a market-derived rate of return with reference to the rental income to be received during the lease term to the Valuation Date. In assessing the reversionary value, the valuer adopted the market approach in assessing the market value of the property interests after expiry of the tenancies and then referenced to the Valuation Date by applying a market-derived rate of return. The market-derived rate of return adopted is 7% per annum. In valuation of the Target Property, no rental estimation was involved. The reversionary value and the rate of return are market-derived.

According to the Independent Valuer, cost approach was not adopted as it may be unable to reflect the expected future economic benefit of an income-generating business.

Having considered the factors taken into account by the Independent Valuer for the selection of valuation methodology and having been informed that they are the usual methodology and assumptions adopted by a professional valuer for such properties, the Board is of the view that the assumptions adopted in the Valuation Report are fair and reasonable.

Having considered that (i) the Consideration represents a discount of approximately 49.0% to the adjusted net asset value of the Target Company in the approximate amount of RMB193.9 million (comprising approximately RMB70.7 million, representing the net asset value of the Target Company as at 30 April 2020, plus RMB89.1 million, representing the net effect of adjustment arising from the Debt Reorganisation, plus RMB34.1 million, representing the difference between the value of the Target Property in its management accounts ended 30 April 2020 and its value stated in the Valuation Report); and (ii) the Estimated Rental Income, the Board is of the view that the Consideration is on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Board is of the view that the Estimated Rental Income does not constitute a profit forecast under Rule 14.61 as it is a forecast of solely revenue rather than profit, based on the rental rates under the existing tenancy agreements of the Target Property.

Principle terms of the Convertible Bond

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

Issuer:	the Company
Principal Amount:	HK$107,692,000
Conversion Price:	HK$38.00 per new Share, subject to adjustment
Maturity Date:	the date falling on the fifth anniversary from the date of issue of the Convertible Bond
Interest:	interest-free
Redemption:	At maturity
	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
	there will be no 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

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

Adjustment Events: the Conversion Price shall be subject to adjustment if, whilst any of the Convertible Bond remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:

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

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

where

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

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

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

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

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

where

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

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

Such adjustment events are exhaustive and shall become effective from the day of such issue of Shares.

The Convertible Bond carries the right to convert into the Conversion Shares at the Conversion Price of HK$38.00 per Conversion Share (subject to adjustment). Assuming the Conversion Rights are exercised in full at the Conversion Price, 2,834,000 Shares, being the Conversion Shares may be allotted and issued to the Vendor and/or to its nominee subject to the Conversion Restriction, representing approximately 4.60% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 4.40% 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 Completion Date, 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 222.58% over the closing price of HK$11.78 per Share as quoted on the Stock Exchange on the date of the Agreement;

(b) a premium of approximately 225.34% over the closing price of HK$11.68 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a premium of approximately 222.03% over the average closing price of HK$11.80 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Agreement;

(d) a premium of approximately 223.40% over the average closing price of HK$11.75 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Agreement;

(e) a discount of approximately 21.21% to the audited net asset value per Share of approximately HK$48.23 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 245.45% over the closing price of HK$11.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Basis of the Conversion Price

The Conversion Price was determined after arm's length negotiation between the Purchaser and the Vendor, with reference to the prevailing market price of the Share as shown above. 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) note that the Conversion Price represents a discount of approximately 21.2% to the audited net asset value per Share as at 31 December 2019. The Board further noted that during the period from 4 February 2020 (about four months prior to the Last Trading Day) up to the Last Trading Day, the Shares had been consistently traded at a discount to the audited net asset value per Share, ranging from approximately 73.7% to 84.0%. Further, the Conversion Price is comparatively much higher than the prevailing market prices of the Shares as shown above. 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 a substantially high premium instead.

After various arm's length negotiation between the Purchaser and the Vendor, the Purchaser requested for the Conversion Price to be set at a relatively high price as compared to the prevailing market price, to maximising the interest of the Company and its Shareholders as a whole. Although the Conversion Price will be at a discount to the net asset value per Share of the Company, having considered the facts that the Conversion Price represents a substantial premium over most of the benchmark prices set out above, 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 of the Company who have taken into consideration the recommendation from the Independent Financial Adviser) consider that the Conversion Price and the terms and conditions of the Agreement are fair and reasonable based on the current market conditions and are in the interests of the Company and Shareholders as a whole.

II. CONDITIONS PRECEDENT

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

(1) the Listing Committee of the Stock Exchange has granted the listing of, and permission to deal in, the Conversion Shares;

(2) the Independent Shareholders having passed the resolutions to approve the Agreement, the transactions contemplated thereunder and the allotment and issue of the Conversion Shares under the Specific Mandate;

(3) the Vendor is the legal and beneficial owner of the Target Equity Interest and the Debt; the Target Equity Interest and all the assets of the Target Company (including but not limited to the Target Property) is free from any encumbrance or third party's rights and will not be impounded, frozen, or mortgaged by the court or other regulatory authorities prior to Completion;

(4) the Target Company is the legal and beneficial owner of the Target Property which are free from any encumbrance or third party's rights;

(5) the documents evidencing the Debt Reorganization have been completed and delivered to the Purchaser (the contents of which are to the satisfaction of the Purchaser);

(6) the completion of the transfer of Target Equity Interest and Debt are in accordance with the laws of the PRC and are completed to the satisfaction of the Purchaser, and the Debt is no less than RMB90,000,000 (equivalent to HK$98,100,000);

(7) the Purchaser has received the valuation report (the contents of which are to the satisfaction of the Purchaser) of the Target Property;

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

(9) the Vendor has obtained all necessary agreements, approval, authorizations, exemptions, permissions and certifications from third parties in respect of the Acquisition and relevant matters;

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

None of the Conditions are waivable. If any of the Conditions has not been fulfilled by the Conditions Fulfillment Date, the Agreement shall lapse. The Vendor shall forthwith refund all amount paid by the Purchaser, if any. None of the parties shall claim against the other party, upon the said amount has been fully refunded to the Purchaser.

III. COMPLETION

Within 14 days from the date of Independent Shareholders' approval of the Agreement, the Vendor shall, among other things, (a) change the registration of ownership of the Target Equity Interest from the Vendor to the Purchaser or its designated third party; (b) complete changing the legal representative, director, supervisor, business license, organization code certificate, account opening permit, land registration information etc.; (c) complete the handover matters in connection with the Agreement; and (d) complete changes matters in connection with changing the Target Equity Interest and legal representative.

The Completion shall take place upon within 5 Business Days after all Conditions having been fulfilled or such other date agreed by the parties in writing. The Company expects that Completion will take place by 30 June 2021.

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

IV. 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.

V. INFORMATION OF THE PURCHASER

As at the Latest Practicable Date, the Purchaser is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. The principal activity of the Purchaser is operating of department store and distribution and trading of household consumables.

VI. INFORMATION OF THE VENDOR

As advised by the Vendor, the Vendor is a company incorporated in Hong Kong with limited liability and its principal business is, among other thing, investment holding.

As at the Latest Practicable Date, the Vendor is ultimately owned by Mr. Meng, therefor the Vendor is an associate of Mr. Meng and a connected person of the Company under the Listing Rules.

VII. INFORMATION ON THE TARGET COMPANY

As advised by the Vendor, the Target Company is a company established in the PRC with limited liability on 6 January 2006 and its principal business is, among other things, marketing management, marketing services, property management and retail. The Target Company currently owns the Target Property.

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

Financial Information of the Target Company

Set out below is the unaudited financial information of the Target Company for each of the two financial years ended 31 December 2018, 31 December 2019 and the six months ended 30 June 2020, as extracted from its unaudited management accounts of the Target Company provided by the Vendor (for illustration purposes only):

	For the year ended 31 December 2018	**For the year ended 31 December 2019**	**For the six months ended 30 June 2020**
	(RMB'000) (unaudited)	*(RMB'000)* (unaudited)	*(RMB'000)* (unaudited)
Net loss for the year before taxation	2,526	874	198
Net loss for the year after taxation	2,526	874	198

Based on the unaudited management accounts of the Target Company provided by the Vendor, the unaudited net asset value and total asset value of the Target Company as at 30 June 2020 were approximately RMB71.0 million and approximately RMB424.7 million respectively. The key assets of the Target Company as at 30 June 2020 mainly consisted of the Target Property with book carrying value of RMB161.7 million, bank deposits of RMB0.3 million and accounts receivable, other receivable and prepayments of RMB262.8 million (mainly consisted of RMB251.9 million inter-company receivables). The key liabilities mainly consisted of a bank loan of RMB349.3 million and other payables of RMB 4.5 million.

The reason for the decrease in net loss of the Target Company for the year ended 31 December 2019 compared to the year ended 31 December 2018 is attributable to the decrease in finance costs of the Target Company from approximately RMB3.4 million in 2018 to approximately RMB2 million in 2019.

VIII. EFFECT ON 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						
China Huajun Group Limited *(Note 1)*	44,450,619	72.23%	44,450,619	69.05%	44,450,619	62.79%
Mr. Meng *(Note 2)*	824,200	1.34%	824,200	1.28%	824,200	1.16%
Vendor	–	–	2,834,000	4.40%	2,834,000	4.00%
Sub-total	45,274,819	73.57%	48,094,899	74.71%	48,094,899	67.94%
Holders of existing convertible bonds *(Note 3)*	–	–	–	–	6,411,764	9.06%
Other public shareholders	16,268,256	26.43%	16,268,256	25.27%	16,268,256	22.98%
	61,543,075	100.00%	64,377,075	100.00%	70,788,839	100.00%

Notes:

1. China 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 China Huajun Group Limited. Mr. Meng is also interested in certain convertible bonds for which, if exercised in full, a total of 10,289,743 shares shall be issued. The issue of these convertible bonds is subject to approval by independent shareholders and certain terms under the subscription agreement. For the details of these convertible bonds, please refer to the announcement of the Company dated 30 June 2020.

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 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, China Huajun Group Limited and their respective associates shall never reach more than 75%.

IX. SPECIFIC MANDATE TO ISSUE THE CONVERTIBLE BOND

The Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bond under Specific Mandate of the Company, are subject to the approval of the Independent Shareholders at the SGM. The Conversion Shares will be allotted and issued under the Specific Mandate, which will be valid till 30 June 2021 to be approved by the Independent Shareholders at the SGM.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No listing of the Convertible Bond will be sought from the Stock Exchange or any other stock exchange.

In the event that any of the Condition(s) are not fulfilled before the Conditions Fulfilment Date, the Company will re-comply with the relevant Listing Rules requirements (including obtaining independent shareholders approval).

X. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC. As the Consideration will be fully satisfied by the issue of the Conversion Shares under the Convertible Bond, the Company will 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. The Company originally considered using alternative settlement methods for the Consideration such as cash settlement, debt financing such as bank borrowings, and conducting equity financing such as rights issue or open offer exercise. However, to preserve cash flow, maintain a strong financial position, avoid time consuming due diligence procedures and incurring additional finance costs and avoid creating an even higher potential dilution effect to the Shares of the Company, the Group considered the issue of Conversion Shares to be most viable option. The Board acknowledges that a possible disadvantage of issuing Conversion Shares for the Consideration could be dilution of the existing Shares.

Upon Completion, the Company intends to lease out the Target Property for generation of rental income as well as potential assets appreciation. The Company has not entered into any lease agreement in relation to the Target Property and the Company does not have any further commitment to the Target Company or the Target Property.

The Target Company is primarily engaged in property investment with Target Property located in Jinzhou New District, Dalian, the PRC. As mentioned in the Valuation Report contained in Appendix III of this circular, leasing activity in the retail market stalled in the first quarter under the impact of the COVID-19 outbreak, with many relief measures such as flexible rent terms and rent-free periods being introduced to tenants to overcome the crisis. However, despite the crisis, the overall market vacancy rate maintained stability at 10.9%.

As at the Latest Practicable Date, as announced by the Company in its announcements dated 6, 12 and 14 February 2020, the Company has entered into three memorandum of understandings in respect of three potential transactions relating to the acquisition of new businesses in catering and hotel operations, property development and manufacturing of machinery and accessories which may potentially constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules if materialized. Save and except for the above, as at the Latest Practicable Date, the Company has no other intention, plan or has already entered into any other binding agreement, negotiation or undertaking (whether formal or informal; express or implied) to acquire any other new business or dispose of any existing business in the upcoming 12 months.

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

XI. FINANCIAL EFFECT OF THE ACQUISITION

Immediately upon the Completion, the assets of the Group would have increased by approximately RMB197 million and the liabilities of the Group would have increased by approximately RMB110 million, and the net assets would have increased by approximately RMB87 million. The loss of the Target Company in 2019 included an annual amortization of the Target Property of RMB3.7 million. After Completion, upon the Company's consolidation of the results of the Target Company into the financial results of the Group, such amortization will no longer be recognized by the Company as the properties held by the Target Company will be recognized as investment property which is not subject to amortization in accordance with the Hong Kong Financial Reporting Standards. The Company is currently not in a position to disclose the post-completion results of the Target Company as the results are subject to a number of unknown factors, such as the rental income for future new leases of currently vacant units.

XII. EQUITY FUND RAISING ACTIVITIES DURING THE PAST TWELVE MONTHS PERIOD FROM THE DATE OF THE ANNOUNCEMENT

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

XIII. 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 Acquisition exceed 5% but fall below 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and will be subject to the reporting and announcement requirements.

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

Mr. Meng and his respective associates are required to abstain from voting on the resolutions in respect of the Acquisition 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 Agreement and the transactions contemplated thereunder. To the best of the Directors' information, belief and knowledge, save for Mr. Meng and his respective associates, no other Shareholders have any material interest in the Acquisition.

XIV. 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.

XV. SGM

A SGM will be held on Monday, 28 September 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 V of this circular. A form of proxy for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 September 2020 to Monday, 28 September 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, 23 September 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, 22 September 2020.

ADDITIONAL INFORMATION

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

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

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

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

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

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

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

7 September 2020

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN AND DEBT DUE BY HENGLIFENG MALL (DALIAN) CO., LTD* INVOLVING ISSUE OF CONVERTIBLE BOND UNDER SPECIFIC MANDATE

We refer to the circular dated 7 September 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 Agreement, 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 Agreement 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.

Although the Acquisition is 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 Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate are on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate.

Yours faithfully,

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

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 7 September 2020 prepared for the purpose of inclusion in this circular.

Nuada Limited

Unit 1606,16/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街 93-103 號
協成行上環中心 16 樓 1606 室

7 September 2020

To the Independent Board Committee
and the Independent Shareholders of
Huajun International Group Limited

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN AND DEBT DUE BY HENGLIFENG MALL (DALIAN) CO., LTD* 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 Agreement, 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 7 September 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 5 June 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Target Equity Interest and the Debt at the Consideration of RMB98,800,000 (equivalent to approximately HK$107,692,000).

* *For identification purposes only*

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

As at the Latest Practicable Date, the Vendor is wholly-owned by Mr. Meng, an executive director and chairman of the Company. Accordingly, the Vendor is an associate of Mr. Meng, connected person of the Company, and the transaction contemplated under the Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios for the Acquisition exceeds 5%, the Acquisition constitutes non-exempt connected transaction for the Company and are subject to reporting, announcement and Independent Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

Mr. Meng and his respective associates are required to abstain from voting on the resolutions in respect of the Acquisition 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 Agreement and the transactions contemplated thereunder. To the best of the Directors' information, belief and knowledge, save for Mr. Meng and his respective associates, no other Shareholders have any material interest in the Acquisition.

The Independent Board Committee has been established to consider the Agreement, 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 Agreement 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 Agreement, the transactions contemplated thereunder and the issuance of the Convertible Bond under the Specific Mandate.

During the past two years, we did not act as the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangement, including contingent fee or conditional fee, exists whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or its substantial Shareholders, Directors or chief executive, or any of their respective associates. 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.

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 management accounts of the Target Company for the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020; (ii) the Agreement; (iii) the estimated rental income analysis of the Target Property for the years ending 31 December 2020, 2021 and 2022; (iv) the valuation report (the "**Valuation Report**") prepared by LCH (Asia-Pacific) Surveyors Limited; (v) the PRC legal opinion prepared by Liaoning Gongdan Law Firm* (遼寧宮丹律師事務所) (the "**PRC Legal Opinion**"); and (vi) 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.

* *For identification purposes only*

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information on the Acquisition

(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 30 June 2020 ("**FP2020**") as extracted from the interim results announcement of the Group dated 28 August 2020 for the six months ended 30 June 2020 (the "**Interim Announcement**"):

Table 1: Consolidated income statement of the Group

	For the six months ended 30 June 2020	**For the six months ended 30 June 2019**	**For the year ended 31 December 2019**	**For the period from 1 April 2018 to 31 December 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Audited)	(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)**

Table 2: Consolidated statement of financial position of the Group

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Current assets	9,166,488	9,292,799
– Properties held for sale	7,424,302	7,440,044
– 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
– Property, plant and equipment	2,062,870	2,027,984
– Investment properties	4,912,973	4,863,150
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 the previous year. 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; and (iii) the increase of finance costs from approximately RMB444.3 million in FY2018 to approximately RMB572.3 million in FY2019.

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 Announcement 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 Interim Announcement, the printing segment of the Group registered a stable growth in gross 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 is an opportunity for the Group to generate stable rental income from the Target Property (details of which please refer to the section headed "2. Reasons for and benefits of the Acquisition") below in this letter.

(b) Information of the Target Company

With reference to the Board Letter and the Management, the Target Company is a company established in the PRC with limited liability on 6 January 2006 and its principal business is, among other things, marketing management, marketing services, property management and retail. The Target Company currently owns the Target Property.

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

With reference to the Board Letter, the Target Company currently owns the Target Property, which is situated at No. 151, Heping Road, Zhongchang Street, Jinzhou District, Dalian, the PRC, with a total gross floor area of approximately 31,075.84 square metres. The Target Property is for commercial use and comprises 650 various commercial units located at Level 1 to 3 of a 3-storey shopping arcade known as Henglifeng Shopping Mall* (恒利豐商城) which is currently subject to a mortgage (the "**Mortgage**") in favour of Shengjing Bank Co., Ltd. Dalian Branch* (盛京銀行股份有限公司大連分行) in the principal amount of RMB350,000,000. The term of Mortgage is for 5 years and the current outstanding amount to be paid as at the Latest Practicable Date is RMB349.3 million. The maturity date of the Mortgage is on 26 June 2024, but it will be released on or before Completion as it is one of the Conditions. According to the Management, upon Completion, the Target Company will not have any secured borrowing in relation to the Mortgage. According to the Board Letter and the Valuation Report, as at 30 June 2020 out of the total gross floor area of 31,075.84 squaremetres, (i) approximately 17,714.10 square metres have been leased out; (ii) approximately 12,871.54 square metres is vacant; and (iii) approximately 490.20 square metres is occupied by the Target Company for office use. The Company intends to use the current vacant properties of the commercial units of the Henglifeng Shopping Mall for lease.

According to the PRC Legal Opinion and the Valuation Report, there are 44 car parking spaces at the Target Property without title certificates which cannot be sold or transferred to other parties. According to the PRC Legal Opinion, such car parking spaces are in comply with the relevant laws and regulations in the PRC and the Valuer has not attributed any commercial value to these car parking spaces.

According to the PRC Legal Opinion, the right to possess the Target Property is held by the state and the rights to use the Target Property has been granted to the Target Company. The Target Company has been granted to use the Target Property for commercial purpose until 30 May 2046.

* *For identification purposes only*

According to the information provided by the Management, set out below is the unaudited financial information of the Target Company for each of the two financial years ended 31 December 2018, 31 December 2019 and the six months ended 30 June 2020, as extracted from its unaudited management accounts of the Target Company (for illustration purposes only):

Table 3: Summary of the financial information of the Target Company:

	For the year ended 31 December 2018 *(RMB'000)* (Unaudited)	**For the year ended 31 December 2019** *(RMB'000)* (Unaudited)	**For the six months ended 30 June 2020** *(RMB'000)* (Unaudited)
Revenue	7,974	7,792	1,822
Net loss for the year before taxation	2,526	874	198
Net loss for the year after taxation	2,526	874	198

Based on the unaudited management accounts of the Target Company for the six months ended 30 June 2020 (the "**Management Account**") provided by the Management, the unaudited net asset value and total asset value of the Target Company as at 30 June 2020 were approximately RMB71.0 million and approximately RMB424.7 million respectively. The key assets of the Target Company as at 30 June 2020 mainly consisted of the Target Property with book carrying value of approximately RMB161.7 million, bank deposits of approximately RMB0.3 million and accounts receivable, other receivable and prepayments of approximately RMB262.8 million (mainly consisted of RMB251.9 million inter-company receivables). The key liabilities mainly consisted of a bank loan of approximately RMB349.3 million and other liabilities of RMB4.5 million.

With reference to the Board Letter and according to the Management, before Completion, the Board expect that the existing debts and liabilities of the Target Company will be in the sum of approximately RMB353.8 million, consisting of the bank borrowings of approximately RMB349.3 million and other liabilities of approximately RMB4.5 million. The Vendor will reorganise the debts of the Target Company so that after the reorganisation of the said debts, save and except the Debt, the Target Company shall have liabilities of not more than RMB2,600,000 (the "**Debt Reorganisation**") which consists of mainly rental deposits received from tenants. According to the Management and the Management Account, upon Debt Reorganisation, the net asset value of the Target Company would have increased to approximately RMB159.1 million. After inclusion of the appreciation of the value of the Target Property (i.e. the difference between the value of the Target Property as stated in the Management Account and the value of the Target Property as stated in the Valuation Report), the adjusted net asset value of the Target Company is estimated to be approximately RMB193.4 million (the "**Adjusted Target NAV**") (i.e. approximately RMB71.0 million, which represents the net asset value of the Target Company as at 30 June 2020, plus approximately RMB88.1 million, which represents the net effect of adjustments relating to the Debt Reorganisation, and approximately RMB34.3 million, which represents the difference between the value of the Target Property as stated in the Management Account and the value of the Target Property as stated in the Valuation Report). Accordingly, the Consideration represents a discount of approximately 48.9% to the Adjusted Target NAV.

2. Reasons for and benefits of the Acquisition

As stated in the Annual Report, 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. As further disclosed in the Board Letter and according to the Management, the Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC. 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 Consideration, and hence can utilise its existing fund on the general working capital of the Group or other investment opportunities, if appropriate. For reference purpose, according to the Annual 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 Consideration (i.e. RMB98.8 million).

As stated in the Board Letter, the Target Property is for commercial use and the Target Property comprises 650 various commercial units located at Level 1 to 3 of a 3-storey shopping arcade known as Henglifeng Shopping Mall* (恒利豐商城). Based on the summary of the rental contracts signed in between the Target Company and the tenants provided by the Management, it is stated that the rental income of the Target Property will maintain a stable trend for the three years ending 31 December 2020, 2021 and 2022 respectively. In order to understand the market outlook of the real estate market in Dalian city, where the Target Property locates at, we attempted to look at the official statistics available from the online database of the National Bureau.

* *For identification purpose only*

Table 4: Market outlook of the real estate market in Dalian city:

Year	**2018**	**2017**	**2016**	**2015**
Average selling price of commercialised buildings in Dalian city (RMB/square metre)	11,433	10,019	9,119	8,711
Total selling area of commercialised buildings in Dalian city (thousands square metres)	7,760	8,398	7,075	6,373
Gross Domestic Product in Dalian city (RMB billion)	767	736	681	773
Total population in Dalian city ('000)	5,952	5,949	5,956	5,936

Source: Online database of National Bureau (http://data.stats.gov.cn/english/index.htm)

According to the latest information available in the online database of the National Bureau as shown above, the average selling price of commercialised buildings in Dalian city has shown steady growth from approximately RMB8,711 per square metre in 2015 increased to approximately RMB11,433 per square metre in 2018, which represents a compound annual growth of approximately 9.5%. Although the total selling area of commercialised buildings in Dalian city has decreased slightly to approximately 7.8 million square metres in 2018 from approximately 8.4 million square metres in 2017,it has increased from approximately 6.4 million square metres in 2015 to approximately 7.8 million square metres in 2018, which represents an increase of approximately 21.9% when compare with that in 2015 and also represents a compound annual growth of approximately 6.8% from 2015 to 2018. Based on our study to the website of the National Bureau, there is no explanation for the movement of the above statistical information. Based on the above, we are of the view and concur with the Directors' view that the real estate price in Dalian city is in an increasing trend and the demand for commercialised buildings in Dalian city is stable in the near future.

As the Target Property includes a 3-storey shopping arcade according to the Management, we attempted to obtain official statistics regarding rental income for commercialised buildings in Dalian city. However, there is no official publicly available relevant data for recent years from the internet. Instead, we made reference to the gross domestic product (the "**GDP**") of the Dalian City for 2015 to 2018 which is the latest information in the online database at the National Bureau, as the shops at the Target Property are mainly sale of consumer goods according to the Management. We calculated the GDP per capita in the Dalian city by the GDP and the population of the Dalian City available from National Bureau in order to understand the purchasing power of the citizens in Dalian City. Based on the statistics from the online database of the National Bureau and our calculation, the GDP per capita of Dalian City decreased from approximately RMB130,000 in 2015 to approximately RMB114,000 in 2016, then increased steadily to approximately RMB129,000 in 2018. Based on the above, we are of the view and concur with the Directors' view that the shopping arcade in the Target Property will continue to generate stable rental income for the Group in the future.

Having considered that (i) the Consideration represents a discount of approximately 48.9% to the Adjusted Target NAV as stated under the section headed "1. Background information on the Acquisition" above in this letter; (ii) the Target Property can provide stable rental income to the Group as stated above; (iii) the historical growth of the real estate market in Dalian city as stated above; (iv) the increasing trend of the GDP per capita in Dalian city in recent years 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 Consideration; we are of the view and concur with the view of the Management that the Acquisition is in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Agreement

(a) Consideration

The Consideration, for the Target Equity Interest and the Debt shall be in aggregate of RMB98,800,000 (equivalent to approximately HK$107,692,000), comprising of RMB8,800,000 (equivalent to approximately HK$9,592,000) being the consideration for the Target Equity Interest and RMB90,000,000 (equivalent to approximately HK$98,100,000) being the consideration for the Debt. Pursuant to the Agreement, the Vendor and the Purchaser have agreed the exchange rate to be at the rate of RMB1 = HK$1.09.

According to the Management and with reference to the Board Letter, the Consideration was determined by the Purchaser and the Vendor after arm's length negotiations with reference to (i) the preliminary valuation of the Target Property of approximately RMB196,000,000 as at 30 April 2020 prepared by an independent valuer; (ii) the unaudited net assets value of approximately RMB70.7 million of the Target Company as at 30 April 2020; (iii) the current nominal amount of the Debt in the sum of not less than RMB90,000,000 at Completion, to be assigned pursuant to the Agreement; and (iv) the rental income expected to be generated by the Target Property for the years ending 31 December 2020, 2021 and 2022 respectively. For the details of how the Consideration was determined by the Purchaser and the Vendor, please refer to the paragraph headed "Consideration" under the section headed "I. The Agreement" in the Board Letter.

Valuation Report

Given that the Consideration was determined with reference to, among other factors, the preliminary valuation of the Target Property, we have reviewed the Valuation Report prepared by LCH (Asia-Pacific) Surveyors Limited, the independent valuer to the Company in respect of the Acquisition (the "**Valuer**"), as set out in Appendix III to the Circular and discussed with the Valuer regarding the methodology used, the principal bases and assumptions adopted for the valuation of the Target Property.

According to the Valuer, the Valuation Report has been prepared in compliance with the Chapter 5 of the Listing Rules, the reporting guidelines set by the International Valuation Standards ("**IVS**") and 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 Report; (ii) reviewed the terms of engagement of the Valuer with the Company; (iii) reviewed the staff of the Valuer's qualification and experience who inspected the Target Property and responsible for the preparation of the Valuation Report; (iv) enquired the underlying calculations of the Valuation Report and the information of the comparable properties adopted by the Valuer; and (v) discussed with the Valuer and understood that the Valuer has included all of the most suitable comparable properties meeting the selection criteria as identified by them based on their best information, knowledge and belief. Please refer to the Valuation Report for detailed description of the valuation assumptions and the methodology adopted by the Valuer in the Valuation Report.

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 Report, 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 report. Based on the above, we consider that their scope of work is appropriate to the opinion required to be given.

According to the Valuation Report, the Valuation Report is responsible by Elsa Ng Hung Mui and J. Junior Ho. 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 SAR (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 PRC. She has also been responsible for issuing valuation reports on various properties including commercial and residential properties in Hong Kong and 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.

According to the Valuer, J. Junior Ho is (i) a corporate member of the Corporate Member of the Hong Kong Institute of Surveyors (General Practice) (Planning & Development); (ii) a Registered Professional Surveyor (General Practice); (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, 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 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. Krystal Tian, who inspected the Target Property on 24 October 2019 according to the Valuation Report, has participated in six notifiable transactions conducted by listed companies in Hong Kong or their subsidiaries in relation to prepare valuation reports on various properties including commercial and residential properties in Hong Kong and PRC in the recent two years.

As stated in the Valuation Report, in arriving at the valuation of the Target Property of RMB196,000,000, the Valuer (i) has valued the vacant portion (the "**Vacant Portion**") (i.e. a total gross floor area of approximately 12,871.54 square metres of the Target Property) and the owner-occupied portion (the "**Owner-occupied Portion**") (i.e. a total gross floor area of approximately 490.20 square metres of the Target Property) of the Target Property by using the market approach on the assumption that the relevant portion could be sold with the benefit of vacant possession as at 30 June 2020 (the "**Valuation Date**"); and (ii) has valued the occupied portion (the "**Occupied Portion**") (i.e. a total gross floor area of approximately 17,714.10 square metres of the Target Property) of the Target Property which were subject to tenancy agreements as at the Valuation Date by adopting the term and reversion method of the income approach or sometimes referred to as a method of the market approach because the reversionary interests and the rate of return are market-derived by taking into account the current rent receivable from the existing tenancy agreements and the reversionary potential of the relevant interests.

According to the Valuer, based on their experience, market approach is normally adopted for assessing vacant portion and owner-occupied portion of the properties, term and reversion method of income approach is normally adopted for assessing property subject to tenancy agreements. The cost approach was not appropriate as it would not capture the future earning potential of the property. The Valuer also did not value the Target Property on redevelopment basis as it is usually taken to assess the value of old buildings which has potential to be redeveloped to achieve a higher value or buildings which are underutilised. They are of the view that this approach is not applicable to the Target Property as it was completed in 2007 and under commercial use as at the Valuation Date.

For the valuation of the Vacant Portion and the Owner-occupied Portion, the Valuer has adopted the market approach to determine the market value of the Vacant Portion and the Owner-occupied Portion by referencing to the asking prices of similar properties that were advertised on the real estate agencies websites in the PRC. We have obtained and reviewed the five comparable properties (the "**Comparable Properties**") adopted by the Valuer, we noted that they have selected the Comparable Properties based on that (i) the Comparable Properties are located within similar district as the Target Property; and (ii) the advertisements released dates of the Comparable Properties were most recent and has been released since 1 April 2020. Details of the Comparable Properties please refer to the section headed "Property Particulars With Value" in the Valuation Report. The Valuer calculated the market value of the Vacant Portion and the Owner-occupied Portion with reference to the Comparable Properties and adjusted by the sizes, transaction dates, location, types, conditions and estimated discounts of the Comparable Properties. According to the Valuer, they attempted to obtain official data regarding the traded properties that are located within similar district as the Target Property. However, there is not any public available relevant data and they decided to make reference to the asking price of the advertisements of the Comparable Properties instead, which the Valuer advised that this treatment is a normal practice for valuer to conduct valuation of properties when transaction data of traded properties is not available. The Valuer confirmed that they have input discounts factor to the asking prices of the Comparable Properties for adjustments and the advertisement released dates of the Comparable Properties were most recent and has been released since 1 April 2020. Based on the above and the professional qualification and the working experience of the Valuer as stated above, we are of the view that it is an appropriate alternative method to obtain comparables and we consider that the comparables selected by the Valuer are fair and representative samples for direct comparison purpose.

For the valuation of the Occupied Portion, according to the Valuer, they have adopted the term and reversion method of the income approach by reference to the capacity of the Occupied Portion to generate monetary benefits of income and convert these benefits into an indication of the present value of the Occupied Portion. It is based on the premise that the Valuer uses the income capability of the Occupied Portion as a measure of value. All other things being equal, the basic premise is that the higher the income, the higher the value. According to the Valuer and with reference to the calculation provided by the Valuer, they have taken into account the current rent receivable from the existing tenancy agreements of the Occupied Portion from the Valuation Date until the expiry dates of respective tenancy agreements at the Target Property and adjusted by (i) the area and location of different shops in the Target Property; (ii) the market yield based on the local properties market data and China Real Estate Index System, which is a set of indicator systems and analysis methods that reflect the development of the real estate market in the PRC, published by China Real Estate Association* (中國房地產業協會) which is a non-profit industry association organised by enterprises

* *For identification purposes only*

engaged in real estate development, property management, construction and other related institutions in the PRC; and (iii) the effect of the COVID-19 as the Valuer is of the view that it may cause unstable market conditions in the PRC and they have increased the discount rate adopted. As discussed with the Valuer and after reviewing their working papers, the Valuer suggested that the above adjustment factors are not abnormal based on their experience and professional judgements. Based on the above, we are not aware of any major factor which caused us to doubt the fairness and reasonableness of the principal bases and assumptions and methodologies adopted for the Valuation Report.

Having considered that (i) the Consideration represents a discount of approximately 48.9% to the Adjusted Target NAV as stated under the section headed "1. Background information on the Acquisition" above in this letter; (ii) the Target Property can provide stable rental income to the Group; (iii) the historical growth of the real estate market in Dalian city from 2015-2018 as stated in the section headed "2. Reasons for and benefits of the Acquisition" above in this letter; (iv) the increasing trend of the GDP per capita in Dalian city in recent years as stated under the section headed "2. Reasons for and benefits of the Acquisition" above in this letter; (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 Consideration; and (vi) our due diligence on the Valuation Report as mentioned above, we are of the view and concur with the view of the Management that the Consideration is fair and reasonable.

(b) Major terms of the Convertible Bond

Please refer to the paragraph headed "Principle terms of the Convertible Bond" under the section headed "I. The Agreement" in the Board Letter for the details of the Convertible Bond.

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

(i) a premium of approximately 222.58% over the closing price of HK$11.78 per Share as quoted on the Stock Exchange on date of the Agreement;

(ii) a premium of approximately 225.34% over the closing price of HK$11.68 per Share as quoted on the Stock Exchange on Last Trading Day;

(iii) a premium of approximately 222.03% over the average closing price of HK$11.80 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately prior to the date of the Agreement;

(iv) a premium of approximately 223.40% over the average closing price of HK$11.75 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days immediately prior to the date of the Agreement;

(v) a discount of approximately 21.21% to the audited net asset value per Share of approximately HK$48.23 per Share of the Company as at 31 December 2019;

(vi) a premium of approximately 1.19% to the unaudited net asset value per Share of approximately HK$37.55 per Share of the Company as at 30 June 2020; and

(vii) a premium of approximately 245.45% over the closing price of HK$11.00 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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 5 June 2020 (i.e. the date of the Agreement); and (ii) they were issued as considerations of acquisitions conducted by the respective listed companies. Details of the exhaustive list of five CB Comparables are set out below:

Table 5: 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/ (discount) of the initial conversion price over/(to) the closing price of the shares (%) *(Note 1)*	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 (%)
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	NA *(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	NA *(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)*
	Mean						Nil	97.3	56.0
	Minimum						Nil	6.7	(1.0)
	Maximum						Nil	316.7	129.0
	The Company			Yes	Yes	107,692,000	Nil	222.6	1.1

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

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 97.3%. 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 Agreement (i.e. approximately 222.6%) (the "**CB Premium Rate**") is above the mean premium rate of 97.3% represented by the CB Comparables. As shown from the table above, there was one CB Comparable (i.e. CB Comparable no. 5) that has issued convertible bonds to its connected person with a premium rate of approximately 31.6% represented by the conversion price to the closing price of the share as consideration for acquisition, which is 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 1.0% to their respective net asset value attributable to the shareholders of the respective companies per share. The Conversion Price represented a premium of approximately 1.1% over the net asset value attributable to Shareholders per Share as at 30 June 2020 (the "**Company's NAV**") (i.e. approximately HK$37.6) which is close to the lower end of the range of that of the CB Comparables.

However, we noticed that the closing prices of the Share during the twelve-months period ended 5 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 70.7% to a discount of approximately 84.5%, whereas the premium rate represented by the Conversion Price to the Company's NAV is approximately 1.1% 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 Agreement 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 Acquisition" 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 Consideration; (iii) the Convertible Bond carry nil interest rate, while its premium rate of approximately 222.6% represented by the Conversion Price to the closing price per Share on the date of the Agreement is above the mean premium rates represented by the CB Comparables as stated above; and (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.

(c) Other terms of the Agreement

We have reviewed other terms of the Agreement (including but not limited to conditions precedent, completion and warranties). In order to review whether the aforesaid other terms of the Agreement 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, the remaining terms of the Agreement are the standard terms of normal sale and purchase agreements which we have reviewed before. Accordingly, we consider that the terms of the Agreement 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 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 25.27% 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 22.98% upon full conversion of all existing convertible bonds issued by the Company having been converted into new Shares of the Company.

Having considered (i) the shareholding of the public Shareholders will be only diluted by approximately 1.16% (from approximately 26.43% to approximately 25.27% upon full conversion of the Convertible Bond and fulfil the requirement of its conversion restriction); (ii) the reasons for and benefits of the entering into the Agreement 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 Acquisition" above in this letter ; (iii) the terms of the Agreement and the issue of Convertible Bond are fair and reasonable as discussed under the section headed "3. Principal terms of the Agreement" 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, pursuant to the Agreement, within 20 Business Days after the Completion Date, the Purchaser shall pay the Consideration to the Vendor by issue of the Convertible Bond, at the Issue Price, to the Vendor and/or its nominee.

According to the Management, they had explored and evaluated other settlement methods as alternative for the Consideration, 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 Consideration (i.e. RMB98.8 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 Consideration 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 Consideration, 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 Consideration by cash payment.

We have also confirmed with the Directors that the Company had considered to settle the Consideration 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 Consideration 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 Announcement; and (iii) based on the current financial performance of the Group as stated under the section headed "1. Background information on the Acquisition" 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 Consideration 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 represents a premium of approximately 222.6% over the closing price of Share on the date of the Agreement (i.e. HK$11.78), 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 Agreement, the Company would need to issue larger number of new Shares to raise the funding size equal to that of the Consideration 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$107,692,000, the number of new Shares to be issued at the issue price of HK$11.78 per new Share, being the closing price of Share as at the date of the Agreement, would be 9,141,935, whereas the number of Conversion Shares is 2,834,000). 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.

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 Consideration 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; (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 Consideration is the most favourable method to the Company.

6. Possible financial Effect of the Acquisition

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

Revenue

As stated above, upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group, 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, the Company will not face any immediate cash outflow for the Consideration. For reference purpose, according to the Annual 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 Consideration (i.e. RMB98.8 million).

Net assets

According to the Management and based on the unaudited management accounts of the Target Company as at 31 March 2020, upon Completion and Debt Reorganisation, the assets of the Group is estimated to increase by approximately RMB197 million and the liabilities of the Group is estimated to increase by approximately RMB110 million. Accordingly, the net assets of the Group is estimated to increase by approximately RMB87 million.

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 Acquisition is 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 Acquisition is in the interests of the Company and the Shareholders as a whole; (ii) the Acquisition is on normal commercial terms; and (iii) the Agreement, 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 Agreement, 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.

The following is the valuation report prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 30 June 2020 of the property interests held by Henglifeng.

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**") and published by the International Valuation Standards Council. The IVS entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for 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 document. 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

7 September 2020

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

Dear Sirs,

In accordance with the instructions given to us by the present management of Huajun International Group Limited (hereinafter referred to as the "**Instructing Party**") to conduct an agreed-upon procedures valuation of a real property (same as the word "**property**" in this report) held by Henglifeng Mall (Dalian) Co., Ltd (恒利豐商城(大連)有限公司) (hereinafter referred to as the "**Henglifeng**") in which Huajun International Group Limited (hereinafter referred to as the "**Company**") or its subsidiaries (collectively, together with the Company hereinafter referred to as the "**Group**") has interests to acquire in the People's Republic of China (hereinafter referred to as the "**PRC**" or "**China**"). We confirm that we have followed the agreed-upon procedures to conduct inspection, to make relevant enquiries and investigation as we consider necessary to support our working, and to perform an independent valuation of the property as at 30 June 2020 (the "**Valuation Date**") for the Instructing Party's internal management reference purpose. We understand that this report will be included in a Company's circular i.e. this document for its shareholders' reference.

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 value of the property are documented in this valuation report and submitted to the Instructing Party at today's date.

VALUATION OF THE PROPERTY UNDER MARKET VALUE BASIS

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, 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 interest;

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(s) as reported.

Approach to Value

There are three generally accepted approaches to value in arriving at the market value of a property on an absolute title basis, namely the Market Approach, the Cost Approach and the Income Approach.

Having considered the general and inherent characteristics of the property, we have valued the vacant portion/owner-occupied portion of the property by using the Market Approach (also known as Sales Comparison Approach) on the assumption that the relevant portion could be sold with the benefit of vacant possession as at the Valuation Date. The Sales Comparison Approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

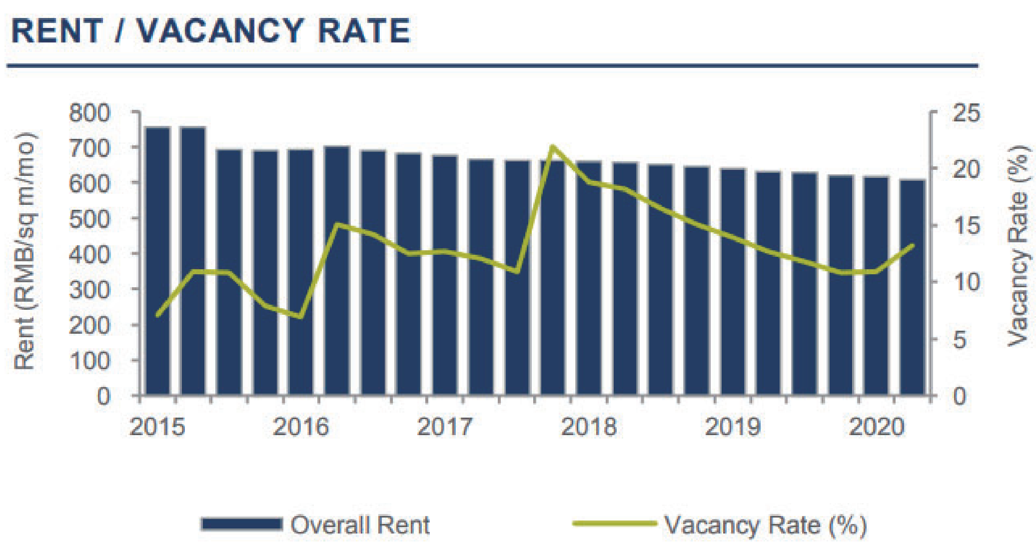
In valuing the property which were subject to tenancy agreements as at the Valuation Date, we have adopted the term and reversion method of the Income Approach or sometimes referred to as a method of the Market Approach because the reversionary interests and the rate of return are market-derived by taking into account the current rent receivable from the existing agreements and the reversionary potential of the relevant interests. The underlying assumption of this approach is that an investor will pay no more for the property than he or she would have to be paid for another property with an income stream of comparable amount, duration, and certainty.

Our opinion of value of the property is derived by the summation of the values of the two portions.

Unless otherwise stated, we have not carried out valuations on redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

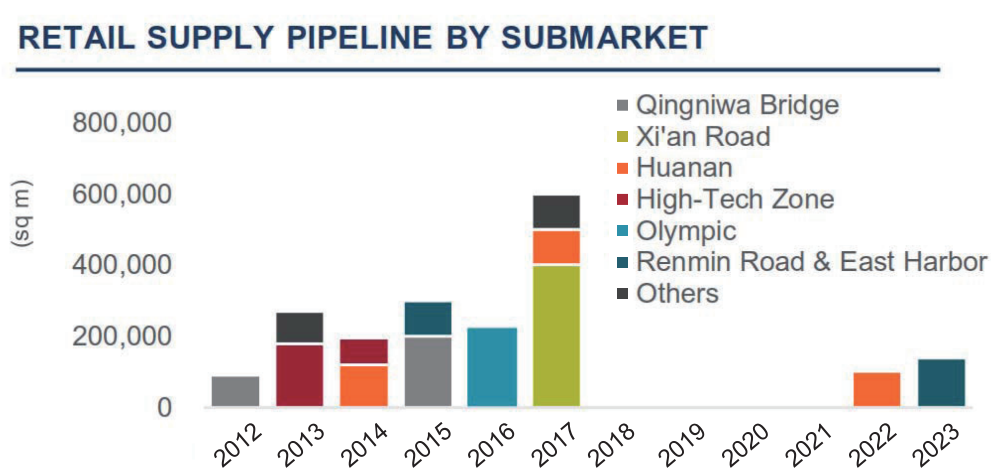
Market Overview

Due to the impact of COVID-19 epidemic outbreak, rental activity in the retail market stagnated in in the second quarter of 2020 (Q2 2020). According to the statistics available for us from cushmanwakefield.com in Q2 2020, there was no new supply entered the market, and Dalian's prime retail supply stayed at 1.89 million square meter ("**sq.m.**") The landlords of shopping malls put forward relief measures like providing more flexible rental and longer rent-free periods to the tenants. The most affected sectors were supermarkets, clothing, entertainment, children's education and catering industry. Despite the crisis, the overall market vacancy rate raised 2.3% quarter-on-quarter ("**q-o-q**") to 13.2%.



(Source: Cushman & Wakefield Research)

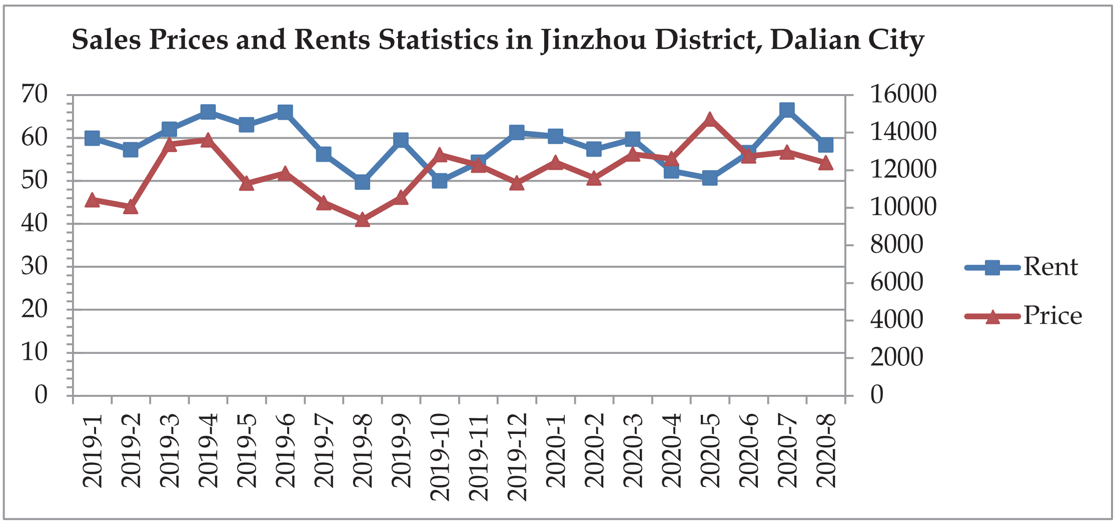
Since the retail market has been drastically affected by the COVID-19 epidemic, during the crisis, the shopper flow dropped significantly. Although more shopping arcades resume their operation, they are still suffering from reduced customer and intention to stay in own community.



(Source: Cushman & Wakefield Research)

According to the latest market statistics released by China Real Estate Association (中國房地產業協會), the Retail Supply Price in Jinzhou District of Dalian City increased by 7.7% year-on-year ("**y-o-y**"), from RMB11,839 per sq.m. to RMB12,746 per sq.m. since June 2019, and the Retail Supply Rent drastically dropped by 14.3% y-o-y, from RMB65.92 per sq.m. per day to RMB56.50 per sq.m. per day since June 2019.

The following chart exhibits the trend of the price and rent of retail from January 2019 to August 2020 in Jinzhou District of Dalian City:



(Data source: China Real Estate Association)

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 valuation accordingly.

Unless otherwise stated, no allowance has been made in our valuation for any charges, mortgages, outstanding premium, idle land penalties or amounts owing on the 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 its value.

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 document, 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 Group 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 its existing use (in this instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances or any premiums payable have already been paid in full or outstanding procedures have been completed, and that Henglifeng has the rights to occupy or to use the 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 Chapter 5 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**) and relied solely on the copies of documents 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 are prepared by the Group's adviser, Liaoning Gongdan Law Firm (遼寧宮丹律師事務所) in September 2020. All documents are for reference only. No responsibility or liability from our part is assumed.

In our report, we have assumed that the legally interested party in the property has obtained all the approvals and/or endorsements from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue it titles in the property. Should this not be the case, it will affect our findings and conclusion 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

Due to the prevailing COVID-19 outbreak in China and Hong Kong, and the travel and health advices by the Hong Kong SAR Government, we did not conduct on-site inspection to the property around the Valuation Date. In our last inspection, the property was inspected by Ms. Krystal Tian, a graduated surveyor, on 24 October 2019. We inspected the property under the companion of the appointed personnel of the Henglifeng. As advised, the staff possesses the ability to accompany us to conduct inspection. 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 is 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, the appointed personnel of the Group or Henglifeng.

We have relied solely on the information provided by the appointed personnel of the Group or the Henglifeng 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, rental, site and floor areas and all other relevant matters.

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, the Instructing Party or Henglifeng in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

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

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Group, the Instructing Party or Henglifeng. Also, we have sought and received confirmation from the appointed personnel of the Group or the Instructing Party that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Group, the Instructing Party or Henglifeng 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, the Instructing Party or Henglifeng. 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 (100 per cent. interests attribute to Henglifeng) as at the Valuation Date in its existing states and assuming free of all encumbrances, was in the order of **RENMINBI ONE HUNDRED AND NINETY SIX MILLION YUAN ONLY (RMB196,000,000)**.

LIMITING CONDITIONS IN THIS REPORT

Our findings and 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 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 document to the Company's shareholders' reference.

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 requirements contained in the Listing Rules and the reporting guidelines contained in the IVS. The valuation has been undertaken by valuer (see End Note), 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 value significantly.

We hereby certify that the fee for this service is not contingent upon our opinion of value and we have no significant interests in the property, the Group or the value reported.

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

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

Contributing Valuer:
Krystal Tian Qi *B.Sc. M.Sc.*

Notes:

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.

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 Henglifeng under long-term title certificates in the PRC

Property	**Description**	**Particulars of occupancy**	**Amount of valuation in its existing state attributable to Henglifeng as at 30 June 2020**
650 various commercial units located at Levels 1 to 3 of Henglifeng Shopping Mall located at No. 151 Heping Road Zhongchang Street Jinzhou New District Dalian City Liaoning Province The PRC 116100	The property comprises 650 various commercial units located at Levels 1 to 3 of a 3-storey shopping arcade known as Henglifeng Shopping Mall (恒利豐商城) located at Jinzhou New District. The property has a total gross floor area of approximately 31,075.84 sq.m.. *(See Note 1 below)* As advised by the Company, the property was completed in around November 2007. The property is located right to the metro station known as Hepinglu Subway Station at the central of Jinzhou District. The locality of the property is a mixed commercial-cum-residential area with various restaurants and a wet market nearby. The property is subject to rights to use the land for commercial purpose until 30 May 2046. *(See Note 2 below)*	As inspected by us and confirmed by the appointed personnel of the Company, as at the Valuation Date, 283 units having a total gross floor area of approximately 17,714.10 sq.m. of the property were subject to 115 various tenancy agreements with lease terms to be expired in between 14 August 2020 and 31 December 2022. And a total gross floor area of approximately 12,871.54 sq.m. of the property was vacant and a total gross floor area of 490.2 sq.m. of the property was owner-occupied. *(See Note 4 below)*	RMB196,000,000 100 per cent. interest

Notes:

1. As advised by the Henglifeng, the property comprises 650 various commercial units, the details are summarised as below:

Level	Gross Floor Aera *(sq.m.)*
1	7,926.03
2	10,598.11
3	12,551.70
Total:	31,075.84

2. The right to possess the land is held by the State and the rights to use the land having a site area of 17,557 sq.m. has been granted to Henglifeng Mall (Dalian) Co., Ltd (恒利豐商城(大連)有限公司) (hereinafter referred to as the "**Henglifeng**"), via the following ways:

   (i) pursuant to a Contract known as No. J035 and a Supplementary Contract for the Grant of State-owned Land Use Rights dated 31 May 2006 and 3 December 2009, respectively, issued by Dalian Land Resources and Housing Bureau, Henglifeng has been granted the land use rights of the land of 17,557 sq.m. and the gross floor area of 43,017.82 sq.m. for the building erecting thereon (included 39,295.7 sq.m. for the building on the ground, and 3,722.12 sq.m. for underground car parking spaces and facility spaces) for a term of 40 years.

   (ii) pursuant to 650 various Real Estate Certificates dated 25 January 2017 and issued by Dalian Land Resources and Housing Bureau, Henglifeng was permitted to use the property with the gross floor area of approximately 31,075.84 sq.m. for a term until 30 May 2046 for commercial purpose.

3. Pursuant to a copy of a Business Licence dated 20 May 2020, Henglifeng is a limited liability company (solely invested by legal person of Taiwan, Hong Kong and Macao) established on 6 January 2006 with an operation term from 6 January 2006 to 5 January 2046.

4. According to the information provided by the Company, 283 commercial units of the property with a total gross floor area of approximately 17,714.10 sq.m. are subject to various tenancy agreements with a total yearly rental of about RMB4,950,000 to be expired between 14 August 2020 and 31 December 2022.

5. As confirmed by the appointed personnel of the Company, the property is subject to Mortgage in favour of Shengjing Bank (盛京銀行) as at the Valuation Date.

6. The valuation has referenced the following commercial listing information:

Property Type	**Listing Date**	**Location**	**Range of Unit Rate of the Comparables on Level 1 on Gross Floor Area basis (RMB/sq.m.)**
Commercial	2020 Q2	Jinzhou District, Dalian	12,600 to 15,800

   In valuing the vacant portion of the property, we have considered and analysed the commercial sales comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in terms of physical and locational attributes. The range of unit rates of adopted comparables are shown in the table above. The unit rate adopted is consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes, including but not limited to size, time, floor, type, location, building condition, and nature of the comparables. The adopted unit rates from the comparable are ranging from RMB10,300 to RMB12,500 for commercial units on the gross floor area basis. The comparables were selected based on their locations (in the same district as the subject property), condition (similar to the subject property) and time (close to the Valuation Date).

7. We have been provided with a copy of legal opinions prepared by the Group's PRC legal advisor regarding the property, which contains, inter alia, the following:

   (i) Henglifeng is the legally interested party in the property mentioned in Note 2 above. Henglifeng has the rights to use and occupy the property;

   (ii) Henglifeng is not subject to any litigation cases and administrative litigation, which will not affect the transfer of Henglifeng's equity interest;

   (iii) The property is subject to mortgage as at the Valuation Date in favour of Shengjing Bank (盛京銀行), and during the mortgage period, the obligee may not transfer the mortgaged property without the consent of the mortgagee, but which will not affect the transfer of Henglifeng's equity interest;

   (iv) Henglifeng has the rights to use, lease and occupy the property; and

   (v) There are 44 car parking spaces on the ground without title documents, and Henglifeng is entitled to lease and use these car parking spaces, but the car parking spaces cannot be transferred.

8. With reference to the PRC legal opinions, we have not assigned commercial value to the car parking spaces without title documents due to its limitation on transferability.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

Authorised		*HK$*
400,000,000	Shares	400,000,000
Issued and fully paid		*HK$*
61,543,075	Shares	61,543,075

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 *(Note 1)*	145.09%
	824,200 (L)	Beneficial owner	1.34%
	387,351 (L)	Share options *(Note 2)*	0.63%
Ms. Zhang Ye	274,050 (L)	Share options *(Note 3)*	0.45%
Ms. Bao Limin	274,050 (L)	Share options *(Note 3)*	0.45%
	12,960 (L)	Beneficial owner	0.02%
Ms. Huang Xiumei	274,050 (L)	Share options *(Note 3)*	0.45%
	3,240 (L)	Beneficial owner	0.01%
Mr. Zheng Bailin	38,735 (L)	Share options *(Note 4)*	0.06%
Mr. Shen Ruolei	38,735 (L)	Share options *(Note 4)*	0.06%
Mr. Pun Chi Ping	38,735 (L)	Share options *(Note 4)*	0.06%

Notes:

1. Long positions in (i) 2,834,000 Shares are held by the Vendor 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; (ii) 76,166,408 Shares are held by CHG which was 100% beneficially owned by Mr. Meng; and (iii) 2,495,526 Shares and 7,794,217 Shares are held by Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司) and Huajun Power (Jurong) Co., Ltd.* (華君電力（句容）有限公司), each of them was ultimately owned by Mr. Meng and his spouse, respectively, as announced by the Company on 30 June 2020. Mr. Meng was deemed to be interested in all Shares held by CHG, Jurong Simaite Intelligent Science and Technology Co., Ltd. and Huajun Power (Jurong) Co., Ltd. by virtue of SFO. Amongst interests in 89,290,151 Shares, interests in 44,839,532 Shares arising from issue of convertible bond under specific mandate.

2. 38,735,070 share options have been granted to Mr. Meng and were subsequently consolidated into 387,351 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 7 February 2017 and 5 December 2017.

3. 27,405,097 share options have been granted to each of (i) Ms. Zhang Ye, who was the Chief Investment Officer of the Company at the time of the grant of the share options; (ii) Ms. Bao Limin, who was Chief Compliance Officer of the Company at the time of the grant of the share options; and (iii) Ms. Huang Xiumei, who was a Vice President of Legal & Compliance department of the Company at the time of the grant of the share options, prior to their appointments as Directors and were subsequently consolidated into 274,050 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 7 February 2017 and 5 December 2017.

4. 3,873,500 share options have been granted to each of Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping and were subsequently consolidated into 38,735 share options. For further details of the said share options granted, please refer to the announcements of the Company dated 7 February 2017 and 5 December 2017.

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

Interests in shares in associated corporation

Associated corporation	Director	Capacity	Number of Shares held	Approximate percentage of interest in the capital of the associated corporation
Huajun Group Limited (華君集團有限公司)*(Note 5)*	Mr. Meng	Beneficial owner	3,000,000,000	100%

Note:

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

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

5. 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	90,501,702 (L)	Interest held by spouse *(Notes 1 & 2)*	147.05%
CHG	76,166,408 (L)	Beneficial owner	123.76%
Huajun Group Limited (華君集團有限公司)	76,166,408 (L)	Interest of controlled corporation *(Note 1)*	123.76%
Mr. Meng	824,200 (L)	Beneficial owner	1.34%
	89,290,151 (L)	Interest of controlled corporation *(Notes 1 & 2)*	145.08%
	387,351 (L)	Share options	0.63%
Ouke Group Holdings Limited	4,559,326 (L)	Beneficial owner	7.41%
Huajun Power (Jurong) Co., Ltd. (華君電力(句容)有限公司)	7,794,217 (L)	Beneficial owner *(Note 3)*	12.66%
Jurong Zhongyou Photovoltaic Technology Co., Ltd. (句容中友光伏科技有限公司)	10,289,743 (L)	Interest of controlled corporation *(Note 3)*	16.72%

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
Huajun Real Estate Group Limited* (華君置業集團有限公司)	10,289,743 (L)	Interest of controlled corporation *(Note 3)*	16.72%
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%

Notes:

1. 76,166,408 Shares are held by CHG as long position. The entire issued share capital of CHG is beneficially owned by Huajun Group Limited (華君集團有限公司), which is directly wholly-owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by CHG by virtue of SFO. Among interests in 76,166,408 Shares, interests in 31,715,789 Shares arises 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. Interests in 2,834,000 Shares are held by the Vendor 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.

3. Interests in 7,794,217 Shares are held by Huajun Power (Jurong) Co., Ltd., which is a wholly owned subsidiary of Jurong Zhongyou Photovoltaic Technology Co., Ltd. Interests in 2,495,526 Shares are held by Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司), which is also a wholly owned subsidiary of Jurong Zhongyou Photovoltaic Technology Co., Ltd. Jurong Zhongyou Photovoltaic Technology Co., Ltd. is directly owned in majority by Huajun Real Estate Group Limited, indirectly owned by Huajun Investment Group Limited and ultimately owned by Mr. Meng and his spouse. Mr. Meng was deemed to be interested in all Shares held by Huajun Power (Jurong) Co., Ltd. and Jurong Simaite Intelligent Science and Technology Co., Ltd. by virtue of SFO. Interests in the aforesaid 10,289,743 Shares arises 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.

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.

6. 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.

7. 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 to conduct Type 6 (advising on corporate finance) regulated activity under the SFO
LCH (Asia-Pacific) Surveyors Limited	Independent property valuer

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

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. 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.

9. 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.

10. 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.

Bank of Ningbo Co. Ltd Wuxi Branch (the "**Ningbo Bank**") filed a claim with Jiangsu Wuxi Intermediate People's Court* (江蘇無錫市中級人民法院) ("**Jiangsu Court**") against Wuxi Huize Real Estate Co., Ltd.* (無錫惠澤置業有限公司) ("**Wuxi Huize**") and Baohua Properties (China) Limited* (保華地產(中國)有限公司) ("**Baohua Properties (China)**"), which are subsidiaries of the Company, Wuxi Huize, in which it was alleged that Wuxi Huize has defaulted in payment of bank loan for an amount of RMB155,782,000. An order was granted by the Jiangsu Court to freeze and preserve certain bank balances or equivalents asset of RMB190,000,000 owned by Wuxi Huize. First hearing was held on 20 August 2019 but no judgement has been released. On 21 July 2019, Wuxi Huize and Baohua Properties (China) filed a claim with Jiangsu Court against Ningbo Bank in which it was alleged that the Ningbo Bank has made excessive preservation of assets held by Wuxi Huize and Baohua Properties (China) exceeding the court order amount of RMB190,000,000, and causing economic losses for Wuxi Huize and Baohua Properties (China). Wuxi Huize and Baohua Properties (China) is requesting Ningbo Bank for RMB200,000,000 as compensation and to bear all related costs for the case. The hearing for the claim was held on 3 September 2019 but no judgement has been released. 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 18 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 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.

12. 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 31 August 2018 entered into among (i) Dongguan Green Lake Villa Development Construction Co., Ltd.* (東莞市綠湖山莊開發建造有限公司), a company established in the PRC with limited liability and an Independent Third Party as the vendor; (ii) Shenyang Oriental Ginza Center Real Estate Co., Ltd.* (瀋陽東方銀座中心城置業有限公司) and Shenzhen Guangsen Investment Group Co., Ltd.* (深圳市廣森投資集團有限公司), each of which a company established in the PRC with limited liability and a shareholder of the vendor and an Independent Third Party; and (iii) Bao Hua Properties (Guangdong) Co., Ltd.* (保華地產(廣東)有限公司), a company established in the PRC with limited liability and the indirect wholly-owned subsidiary of the Company, as the purchaser in respect of the acquisition of a property development project situated at Si Ma Village, Changping Prefecture, Dongguan City, Guangdong Province, the PRC at a consideration of RMB210 million; and procurement of service from the Vendor at the Service Fee of RMB163.92 million (subject to adjustment);

(b) 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;

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

(d) 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);

(e) 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;

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

(g) 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);

(h) 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 haves 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;

(i) 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;

(j) 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;

(k) 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**");

(l) 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);

(m) 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;

(n) 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;

(o) 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);

(p) 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;

(q) 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;

(r) the Sale and Purchase Agreement dated 30 March 2020 was entered into between the Vendor and the Purchaser, 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;

(s) the Agreement;

(t) the transfer agreement dated 30 June 2020 was entered into between Huajun Power Technology (Jiangsu) Co., Ltd.* (華君電力科技（江蘇）有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser, and Jurong Simaite Intelligent Science and Technology Co., Ltd.* (句容思麥特智能科技有限公司), as vendor, in respect of the acquisition of the properties erected on land parcel situate at Guozhuang Town Airport Industrial Concentration Zone, Jurong City, Jiangsu Province, the PRC and various equipment relating to the production and manufacturing of photovoltaic related products at a consideration of RMB87,000,000;

(u) the transfer agreement dated 30 June 2020 was entered into between Huajun Power Technology (Jiangsu) Co., Ltd.* (華君電力科技（江蘇）有限公司), an indirect wholly-owned subsidiary of the Company, as purchaser, and Huajun Power (Jurong) Co., Ltd.* (華君電力（句容）有限公司), as vendor, in respect of the acquisition of the properties erected on land parcel situate at Guozhuang Town, Jurong City, Jiangsu Province, the PRC at a consideration of RMB271,725,000;

(v) 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

(w) 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.

13. 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.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection 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 7 September 2020 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the Appendix I of this circular;

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

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

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

(h) the Agreement;

(i) the circulars of the Company dated 25 January 2019, 31 January 2019, 24 June 2019, 30 September 2019, 11 November 2019, 26 March 2020, 29 April 2020, 14 May 2020 and 5 August 2020; and

(j) this circular.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of Huajun International Group Limited (the "**Company**") will be held at 3:00 p.m. on Monday, 28 September 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 7 September 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 for the sale and purchase of the Target Equity Interest and Debt of the Target Company (a copy of which has been produced to the Meeting marked "A" and initialed by the chairman of the Meeting for identification purpose) dated 5 June 2020 and entered into between the Company and the Vendors at the consideration of RMB98,800,000 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 grant of the specific mandate to the Directors to issue the Convertible Bond to the Vendor pursuant to the Agreement be and is hereby approved, confirmed and ratified. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the Shareholders prior to the passing of this resolution; and

(c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the issue of the Convertible Bond to the Vendor."

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

Hong Kong, 7 September 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, 23 September 2020 to Monday, 28 September 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, 23 September 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, 22 September 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.