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, 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.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

(1) MAJOR AND CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO ACQUISITION OF 30% EQUITY INTERESTS IN AND DEBT DUE BY WUXI HUIZE REAL ESTATE CO., LTD.* (無錫惠澤置業有限公司) AND (2) NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used on this cover page shall have the same meanings as those set out in the section headed "Definitions" in this circular.

A letter from the board of directors of Huajun International Group Limited is set out on pages 4 to 17 of this circular. A notice convening the special general meeting of the Company (the "**SGM**") to be held at 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong on Monday, 20 April 2020 at 3:00 p.m. is set out on pages SGM-1 to SGM-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 and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM or any adjourned meeting thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

26 March 2020

CONTENTS

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

"Acquisition"	acquisition of the Target Equity Interest and the Debt;
"Acquisition Agreement"	the agreement dated 23 May 2019 entered into by the Purchaser and the Vendor in respect of the Acquisition;
"Board"	the board of Directors;
"Business Days"	a day (other than Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a "black" rainstorm warning 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's are generally open for business;
"CHG"	China Huajun Group Limited, a company incorporated in the British Virgin Islands and a controlling Shareholder (as defined under the Listing Rules), which is ultimately wholly-owned by Mr. Meng;
"Clarification Announcement"	the Company's clarification announcement dated 25 June 2019 in respect of the Acquisition;
"Company"	Huajun International Group Limited (華君國際集團有限公司) (stock code: 377), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition pursuant to the terms and conditions of the Acquisition Agreement;
"Consideration"	RMB154,191,453.05, being the total consideration under the Acquisition Agreement;
"Debt"	debt in an amount of RMB154,191,452.05 owed by the Target Company to the Vendor;
"Director(s)"	director(s) of the Company;
"Group"	the Company and its subsidiaries;

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Third Party(ies)"	third party independent of and not connected with the Company and any of its connected persons (as defined in the Listing Rules) or their respective associates (as defined in the Listing Rules);
"Latest Practicable Date"	23 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"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 purposes of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"Previous Acquisition"	the previous acquisition by the Company of (i) the entire equity interests in Baohua Real Estates (Wuxi) Co., Ltd.* (保華地產(無錫)有限公司); (ii) the entire equity interests in Wuxi Huiyuan Real Estate Co., Ltd.* (無錫市惠遠置業有限公司); (iii) 55% equity interest of the Target Company; and (iv) 15% equity interest of the Target Company;
"Previous Circular"	the previous circular issued by the Company dated 24 September 2018 in respect of the Previous Acquisition;
"Purchaser"	Baohua Properties (China) Limited* (保華地產(中國)有限公司), a company incorporated in the PRC with limited liability, an indirect wholly owned subsidiary of the Company;
"SFO"	Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong;

"SGM"	a special general meeting of the Company to be convened for the purpose to consider and, if thought fit, approve the resolutions proposed in the SGM Notice;
"SGM Notice"	the notice convening the SGM set out on pages SGM-1 to SGM-2 of this circular;
"Share(s)"	ordinary share(s) of HK$1.00 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Wuxi Huize Real Estate Co., Ltd.* (無錫惠澤置業有限公司), a company established in the PRC with limited liability on 22 September 2009 and is principally engaged in real estate associated business which is a 70% indirectly owned subsidiary of the Company as at the Latest Practicable Date;
"Target Equity Interest"	30% equity interest in the Target Company;
"Vendor"	Wuxi City Jinde Assets Management Limited* (無錫市金德資產管理有限公司), a company established in the PRC with limited liability;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"RMB"	Renminbi, the lawful currency of the PRC;
"sq.m."	square meter; and
"%"	per cent.

* *For identification purposes only*

For the purpose of illustration only, any amount denominated in RMB in this circular was translated into HK$ at the rate of RMB1.00 = HK$1.131. Such translation 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.

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

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

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

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

26 March 2020

To the Shareholders and for information only,

Dear Sir/Madam,

(1) MAJOR AND CONNECTED TRANSACTION AT SUBSIDIARY LEVEL IN RELATION TO ACQUISITION OF 30% EQUITY INTERESTS IN AND DEBT DUE BY WUXI HUIZE REAL ESTATE CO., LTD.* (無錫惠澤置業有限公司) AND (2) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the announcements of the Company dated 23 May 2019, 25 June 2019 and 15 October 2019 in relation to the Acquisition which constitutes a major and connected transaction at subsidiary level of the Company under the Listing Rules.

Pursuant to Chapter 14 of the Listing Rules, the Acquisition is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

As disclosed by the Company in its Previous Circular, the Company previously entered into four agreements in 2018 for the Previous Acquisition to purchase, namely, (i) the entire equity interests in Baohua Real Estates (Wuxi) Co., Ltd.* (保華地產(無錫)有限公司); (ii) the entire equity interests in Wuxi Huiyuan Real Estate Co., Ltd.* (無錫市惠遠置業有限公司); (iii) 55% equity interest of the Target Company; and (iv) 15% equity interest of the Target Company. The Previous Acquisition was aggregated and constituted a major transaction of the Company under Chapter 14 of the Listing Rules. The Previous Acquisition has been completed and the Company has complied with the relevant requirements under Chapter 14 of the Listing Rules in relation to those major transaction. As disclosed in the Clarification Announcement, the Acquisition, along with (iii) and (iv) above, if aggregated, is still classified as a major transaction.

As disclosed in the Clarification Announcement, as the Vendor is the registered owner of 30% of the Target Company, hence a substantial shareholder of the Target Company which is a 70% indirectly owned subsidiary of the Company, the Vendor is a connected person of the Company at the subsidiary level under the Listing Rules. As such, the Acquisition also constitutes as a connected transaction under Chapter 14A of the Listing Rules.

Since (i) the Vendor is a connected person of the Company at subsidiary level under the Listing Rules; (ii) the Directors (including the independent non-executive Directors) have approved the terms of the Acquisition Agreement and the Acquisition; and (iii) the independent non-executive Directors of the Company have confirmed that the terms of the Acquisition Agreement and the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition Agreement and the Acquisition constitutes as a connected transaction which is only subject to the reporting and announcement requirements, but exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. None of the Directors have any material interest in the Acquisition Agreement and the transactions contemplated thereunder, and none of the Directors have abstained from voting on the board resolution approving the Acquisition Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among others, further details of (i) the Acquisition; (ii) the financial information of the Target Group; (iii) other general information of the Company; (iv) a notice of the SGM; and (v) a form of proxy.

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 23 May 2019 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser has agreed to acquire, and the Vendor has agreed to sell, the Debt and 30% equity interests in the Target Company for the consideration of RMB154,191,453.05, comprising of RMB1.00 being the consideration for the Target Equity Interest and RMB154,191,452.05 being the consideration for the Debt.

Principal terms of the Acquisition Agreement are set forth below:

Date: 23 May 2019

Parties:

(1) Vendor: Wuxi City Jinde Assets Management Limited* (無錫市金德資產管理有限公司), a company incorporated in the PRC with limited liability, and its indirect major shareholder is the Wuxi Municipal People's Government;

(2) Purchaser: Baohua Properties (China) Limited* (保華地產（中國）有限公司), a company incorporated in the PRC with limited liability, and an indirect wholly owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is owned as to (i) 89.59% by Wuxi Properties Development Group Limited* (無錫產業發展集團有限公司), which is ultimately wholly owned by Wuxi Municipal People's Government; and (ii) 10.41% by China Eastern Assets Management Company Limited* (中國東方資產管理股份有限公司), which is ultimately owned as to 98% by the Ministry of Finance of the PRC and 2% by the National Council for Social Security Fund managed by the Ministry of Finance of the PRC. Therefore, the Board believes that the ultimate beneficial owners of the Vendor are Independent Third Parties.

Asset to be acquired: the Target Equity Interests and the Debt

Assets held by the Target Company

As at the Latest Practicable Date, the Group indirectly owns 70% equity interests in aggregate in the Target Company, which currently owns a residential project named Laoshan Bay Collection* (藏品敔山灣) (the "**Project**") with site area of approximately 109,019 sq.m. in Jiangyin of Wuxi, Jiangsu Province, the PRC. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

It was intended to develop the Project into development portfolio of residential units (which are intended for sale), car parking spaces (of which part of them are intended for sale and part of them are intended for gift to the purchasers of the residential units) and commercial units (which will be intended for sale). The Project will be constructed under 4 phases. As at 31 January 2020, Phases 1 to 3 were completed and about 96% of residential units were sold to individual owners, while some of the commercial and residential units remain unsold. The construction of the Project is currently at the Phase 4. Construction of Phase 4 of the residential units of the Project was substantially completed and applying for the completion registration. The Company estimates the outstanding construction costs of the Project as at the Latest Practicable Date will be approximately RMB127 million. The construction costs, will be paid with reference to the stage of completion at the relevant time. It is expected the said construction cost will be satisfied by proceeds generated from the sale of the properties held by the Target Company, and where necessary, will be financed by internal resources and external borrowings of the Company. As at the Latest Practicable Date, 1,346 residential units have been sold (out of a total of 1,383). Out of the 1,346 residential units that have been sold, 186 residential units were sold and delivered before 1 January 2016, 195 residential units were sold and delivered between 1 January 2016 to 30 September 2019 (revenue recognised in the statements of profit or loss and other comprehensive income in Appendix II-5 of this circular). 1 residential unit (Phase 1), 34 residential units (Phase 2) and 314 residential units (Phase 3) were delivered to customers during the last quarter of 2019 and recognised revenue of approximately RMB340 million. RMB115,375,000, RMB42,611,000, RMB12,146,000 and RMB28,912,000 has been recorded as recognised revenue in the profit or loss for the financial years/periods ended 31 December 2016, 2017, 2018 and the nine months ended 30 September 2019 respectively. As at 31 January 2020, the estimated sale proceeds for the remaining unsold residential units (excluding those which were pre-sold but not yet delivered) is in the sum of approximately RMB184.1 million. The Target Company has started pre-sales in respect of the Phase 4 of the Project to individuals and as at 31 January 2020, a total of 613 units (out of 620 units) were pre-sold. For such pre-sales, revenue is expected to be recognised in profit or loss upon hand over of the properties to the buyers by the end of April 2020 prior to Completion and the Company expects to sell all units by the end of 2020. All of the sale proceeds of the pre-sold units belong to the Target Company and there is no income sharing mechanism, hence no profits or proceeds will be distributed to the Vendor before and/or after Completion. The Company is currently applying for the completion registration for Phase 4, which is expected to be completed by the end of March 2020. Further, the Company will not have any further commitment in the Target Company after completion of the Acquisition. The Target Company has constructions cost commitment of about RMB127 million which shall be financed by proceeds from the sale of units as discussed above. Although a substantial portion of the residential units held by the Target Company have already been sold/pre-sold as at the Latest Practicable Date, the Target Company still has unsold commercial units and car parks which have expected sale value of RMB167.5 million and RMB59 million respectively, therefore the Board is of the view that the Acquisition is in the interest of the Company and its shareholders as a whole.

Market overview of the Target Company's business

The auction of the land in the Laoshan Bay area of the Target Company is in good condition. In May 2019, the well-known Chinese property developer, Sunac China Holdings Limited (融創中國控股有限公司), acquired two pieces of land in pure villa nature situated approximately 3 kilometres from the land of the Project, at a floor price of RMB10,000 per sq.m.. In September 2019, Greenland Hong Kong Holdings Limited (綠地香港控股有限公司) acquired one piece of commercial and residential land situated only one road away from the land of the Project at a floor price of RMB6,006 per sq.m.. The surrounding facilities are improving, and the macro environment is more favorable to the Target Company, which is convenient for the Target Company to achieve faster sale-through. The land acquired by Greenland Hong Kong Holdings Limited has a building area of over 45,000 sq.m. and is for commercial use. The local government has set certain ecological construction requirements for this land plot and a five-star hotel is anticipated to be built, which expresses both luxury and sustainability. As such, the anticipated future traffic in this area is substantial. As this land plot is only one road away from the land of the Project, the Company anticipates increased business opportunity for the Target Company.

The land acquired by Sunac China Holdings Limited is a pure villa with a floor price of RMB10,000 per sq.m.. In contrast, the land of the Project was purchased with a floor price of less than RMB3,000 sq.m., reflecting the Target Company's advantage in price. Further, the close geographical proximity of the land plot is anticipated to benefit the business of the Target Company.

Consideration

The Consideration for the Acquisition shall be RMB154,191,453.05, which shall be paid by the Purchaser in the following manner:

(i) RMB46,000,000, being the non-refundable deposit under the Acquisition Agreement, which was set off with the Security Fund (as defined below) which has, already paid by the Purchaser to the Vendor on 9 May 2019 and will be applied to satisfy part of the Consideration; and

(ii) RMB108,191,453.05, being the balance of the Consideration, shall be paid within 3 months of the effective date of the Acquisition Agreement (i.e. 23 August 2019) to a bank account designated by the Vendor.

As at the Latest Practicable Date, the balance of the Consideration has not yet been paid as Completion is now subject to shareholders' approval at the SGM, after which the balance of the Consideration shall be settled accordingly. According to the Acquisition Agreement, in the event that the Purchaser fails to pay the balance of the Consideration as scheduled, the Purchaser will be required to pay the Vendor a penalty of 0.015% of the Consideration on a daily basis from the date of the overdue. If the overdue date exceeds 30 days, the Vendor has the right to terminate the Acquisition Agreement and the deposit paid under the Acquisition Agreement is not refundable. Although the Company and the Vendor have not executed any written extension letter for extension of the deadline for payment of the balance of the Consideration, as at the Latest Practicable Date, the Vendor has not exercised its right to confiscate the deposit of RMB46 million paid by the Purchaser. As at the Latest Practicable Date, the estimated amount of the penalty in terms of overdue interest is approximately RMB0.8 million. The Purchaser is in negotiation with the Vendor for the extension of the deadline for payment of the balance of the Consideration. The Company expects to complete the Acquisition after approval of the Shareholders of the Acquisition has been obtained at the SGM, by which time the estimated amount of penalty will not be more than RMB3 million. The Company has sufficient internal resources and intends to utilise this to settle the balance of the Consideration in cash.

Basis of the Consideration

The Consideration was the bid price made by the Purchaser through the listing-for-sale bidding process (掛牌出讓) (the "**Auction**") held by Wuxi Equity Exchange Co., Limited* (無錫產權交易所有限公司) in which was commissioned by the Vendor which the Target Equity Interests and the Debt were offered for sale by way of tender at the base price of RMB154,191,453.05. The Auction was carried out according to the standard procedures and terms determined by Wuxi Equity Exchange Co., Limited as a third party independent of the Vendor and the Purchaser. Prior to the participation of the tender, the Purchaser has to pay RMB46,000,000 (the "**Security Fund**"), which is a mandatory requirement for participation in the Auction, as security. The Security Fund will be refundable if the Purchaser is not the successful bidder, or it will be used to set off part of the Consideration and became a non-refundable deposit, if the Purchaser successfully won the tender.

The information of the Target Equity Interest was published on the website of Wuxi Equity Exchange Co., Limited* from 24 January 2019 to 11 March 2019 as an offer for sale, whereby the land use rights will be granted to the bidder with the highest bid who satisfies the terms and conditions. During the prescribed period, Wuxi Equity Exchange Co., Limited* received a proposal from one potential bidder, i.e. the Purchaser.

The process of the Auction is regulated by the relevant laws and regulations of the PRC and is a common practice for transactions of similar kind in Wuxi, Jiangsu. The terms of the Auction were pre-determined by the Vendor and Wuxi Equity Exchange Co., Limited*. The Consideration was determined after taking into account of (i) the valuation of the Target Company's assets and liabilities as at 31 May 2018 made by Wuxi Baoguang Asset Valuation Company Limited* (無錫寶光資產評估有限公司) commissioned by the Vendor (the "**2018 Valuation**"); and (ii) the prospect and potential of future appreciation on the properties held by the Target Company with reference to market overview and recent land transactions which demonstrated prosperous market trend.

The valuation amount of the Target Equity Interests and the Debt under the 2018 Valuation was RMB154,191,452.05 (the "**Original Valuation Amount**"). The valuation methodology applied was the asset-based approach, whereby the value is determined by assessing the various assets and liabilities of the company as at the valuation date. The key assumptions were as follows:

1. *General Assumptions:*

   i. Assuming all the assets to be valued are already in the process of transaction and the valuer carries out the valuation based on a simulated market which involves the transaction conditions of the assets to be valued;

   ii. Assuming that there are fully developed and sophisticated market conditions and an open, competitive market with voluntary purchasers and sellers;

   iii. Assuming that the assets to be valued are in use will continue to be used; and

   iv. Assuming the operations will be sustained and continued according to the current business objectives.

2. *Specific Assumptions*

   i. The valuation assumes that the assets units fully comply with all relevant laws and regulations, and there will be no material adverse effects on the politics, economy and social environment of the areas in which the relevant parties are situated;

   ii. Assuming that the future and present management of the assessed unit is diligent and the management is capable of maintaining its present operational status and ensuring the development and production plans are in line with the current direction;

   iii. The valuation is based on the currently obtained plan, if the plan is altered and obtains government approval in the coming year, the valuation may be altered;

   iv. The valuation is based on the estimated completion schedule;

   v. The valuation assumes that all contracts entered into by the assessed units are enforceable;

   vi. The future income of the assessed units are valued based on the development projects currently successfully obtained;

   vii. The valuation does not consider the impact of inflation;

   viii. The valuation assumes that there are no major changes in interest rates, exchange rates, tax rates;

ix. The valuation assumes that there are no events of force majeure which would have a material adverse impact on the assessed units; and

x. the valuation does not take into account any guarantees or pledges given by the Target Company.

Subsequently, in order to protect the interest of the Group, the Company engaged an independent valuer, namely LCH (Asia-Pacific) Surveyors Limited (the "**Independent Valuer**"), to conduct an updated valuation on the real property portfolio held by the Target Company as at 30 September 2019 (the "**Updated Valuation**"). The Independent Valuer adopted a market approach, which 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. The key assumptions were as follows:

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;

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;

6. the property could be sold with the benefit of vacant possession as at the Valuation Date; and

7. the property is able to be sold and purchased in the market without any legal impediment.

For further details regarding the Updated Valuation, please refer to Appendix V of this circular.

The Independent Valuer is a firm of professional surveyors and valuation consultants in Hong Kong. Qualification of the Independent Valuer is set out on Page VI-7 of this circular. As disclosed in the section headed "Experts and Consents" of Appendix VI 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.

Further, the Board has assessed the valuation methodology and key assumptions adopted by the Independent Valuer and is of the view that they are all fair and reasonable as the Board believes that they are the usual valuation method and key assumptions adopted by a professional valuer as there is sufficient data from transactions conducted by companies with comparable characteristics. The Company noted that neither the asset based approach nor the the income approach was appropriate in these circumstances. The Board is of the view that the comparables adopted in the Updated Valuation are meaningful comparables to the properties owned by the Target Company as they were selected based on the most similar locations, property type and sizes to the properties of the Target Company.

Further, the valuation amount contained in valuation report in this circular is approximately RMB1,143 million. As the Acquisition is for 30% of the Target Company, the anticipated valuation amount for 30% interest is approximately RMB343 million, which is 2 times higher than the Consideration.

Based on the above, the Directors consider that the Consideration under the Acquisition Agreement is fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

Completion

The parties shall endeavour to procure the (1) registration of the transfer of equity interests and (2) transfer of the Vendor's rights in the equity interests in the Target Company within 30 Business Days after (a) full payment of the consideration under the Acquisition Agreement and (b) receipt of the equity transaction confirmation* (產權交易憑證) from Wuxi Equity Exchange Co., Limited. As at the Latest Practicable Date, as the Consideration is not yet fully paid, the parties have not yet commenced the process. The above events are part of the process of Completion. The Acquisition is conditional upon obtaining the approval of the Shareholders at the SGM, such condition precedent is non-waivable. Completion is expected to be taken place as soon as practicable after obtaining the shareholders' approval at the SGM, which the Company anticipates to be around May 2020. Save and except for obtaining shareholders' approval, there are no other conditions precedent.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the PRC with limited liability and is principally engaged in, among other things, entrusted asset management, use of its own assets for external investment and other related businesses.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in real estate associated business. The main assets held by the Target Company are set forth under the paragraph "Assets held by the Target Company" above. The Target Company is currently an indirectly 70% owned subsidiary of the Company.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below are the audited financial information of the Target Company for (i) each of the two financial years ended 31 December 2017 and 31 December 2018 and (ii) the nine months ended 30 September 2019, as extracted from Appendix II of this circular:

	For the year ended 31 December 2017 *(RMB'000)*	**For the year ended 31 December 2018** *(RMB'000)*	**For the nine months ended 30 September 2019** *(RMB'000)*
Net profit (loss) for the year/period before taxation	(12,354)	173,439	(7,311)
Net profit (loss) for the year/period after taxation	(13,211)	173,195	(7,893)

The reason for the significant increase in net profit of the Target Company for the year ended 31 December 2018 as compared to 2017 is due to reversal of impairment loss in the amount of RMB178.2 million caused by an increase in prevailing market price of properties as a result of the blooming local market in Jiangxin in 2018 on properties for sale under development and properties held for sale of RMB178.2 million during the year ended 31 December 2018.

Based on the audited accounts of the Target Company, the audited net liability value and total asset value of the Target Company as at 30 September 2019 were approximately RMB309.7 million and approximately RMB1,271.8 million, respectively.

Litigation of the Target Company

As disclosed in Note 8 of the Property Valuation Report, page V-12, in Appendix V, 79 residential units of the Project and land use rights under Phase 4 of Project are subject to various mortgages (the "**Mortgages**") in favour of Bank of Ningbo Co. Ltd. Wuxi Branch (寧波銀行股份有限公司無錫分行) (the "**Ningbo Bank**") to secure borrowings of the Target Company in the aggregate sum of RMB290million (the "**Loan**"), of which approximately RMB153,000,000 is outstanding as at the Latest Practicable Date. The term of the Loan was from 25 July 2016 to 12 May 2019. The reason for the default of the Loan is due to insufficient cash flow of the Target Company.

On 2 July 2019, 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 the Target Company and Baohua Properties Management (Yingkou) Co., Limited (formerly known as Baohua Properties Management (China) Co., Limited) (保華置業管理(營口)有限公司(前稱保華置業管理(中國)有限公司)) ("**Baohua Properties**"), an indirect wholly-owned subsidiary of the Company, in which it was alleged that the Target Company has defaulted in payment of the Loan for an amount of RMB155,782,000. The maturity date of the Mortgages was on 31 December 2019, which is later than the maturity date of the Loan due to Ningbo Bank's request to protect their interests. The Mortgages will be released upon repayment of the relevant principal on an unit-by-unit basis. An order was granted by the Jiangsu Court to freeze and preserve certain bank balances or equivalents asset of RMB190,000,000 owned by the Target Company. On 30 August 2019, judgement was released in favour of the Ningbo Bank. The Target Company filed for an appeal against such judgement on 30 September 2019, but no appeal hearing date has been fixed yet as at the Latest Practicable Date.

On 11 July 2019, the Target Company 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 the Target Company causing huge economic losses in the sum of approximately RMB3.5 million. As at the Latest Practicable Date, judgement has not yet been released in respect of the Target Company's said claim. As at the Latest Practicable Date, the excessive preservation of assets of the Target Company which has been frozen have now been released, however, the Target Company's bank balance of RMB54.5 million, land use rights of Phase 4 of the Project and 79 residential units of the Project are still frozen and such frozen assets are expected to be released upon repayment of borrowings by the Target Company to Ningbo Bank.

The above mentioned litigations are still ongoing, but the Board is of the view that these litigations have little impact on the Target Company because the total expected proceeds from the sale of the 79 pledged residential units held by the Target Company in the sum of RMB263.4 million are sufficient to repay the outstanding balance of the bank loan allegedly owed to Ningbo Bank. Out of the said RMB263.4 million, RMB47.62 million has already been received by the Target Company by way of deposit. Further, taking into account the litigation mentioned herein, the PRC legal adviser confirms that the land use rights of the property are non-transferable, but the units of Phase 4 (including the 79 pledged residential units) can be transferred with the written approval of Ningbo Bank, therefore the sales of the units of Phase 4, including the 79 pledged residential units of the Project are in compliance with the relevant laws and regulations.

As at the Latest Practicable Date, Ningbo bank has granted its approval for the Target Company to transfer the 79 pledged residential units. According to the terms of the written agreement signed between Ningbo Bank and the Target Company, the Target Company will repay RMB54.5 million to Ningbo Bank with the abovementioned bank deposit which has been frozen. The remaining principal of RMB98.5 million and related interest will be repaid to Ningbo Bank by 65% of the sale proceeds yet to be received from the sale of 79 pledged residential units, which amounts to approximately RMB140.3 million and 35% of the sale proceeds in the approximate sum of RMB75.5 million shall be retained by the Target Company.

REASONS AND BENEFITS FOR ENTERING INTO THE ACQUISITION AGREEMENT

The Company is an investment holding company. The principal activities of the Group are: (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) trading and logistics; (iii) provision of financial services; (iv) property development and investments; and (v) manufacturing and sales of photovoltaic products. The Group always looks for suitable investment opportunities to strengthen its existing segment in property development and investments and business establishment in the PRC. As at the Latest Practicable Date, save and except negotiation with certain parties for possible acquisition of business for the (i) property development and investments; and (ii) manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products, the Company does not intend, or has not entered into or proposed to enter into any agreement, arrangement, undertaking or negotiation (whether formal or informal; express or implied) to acquire new businesses or dispose of or downsize its existing business.

The Company was firstly informed by the 30% non-controlling shareholder of the Target Company, the Vendor, that the Wuxi Equity Exchange Co., Limited* (無錫產權交易所有限公司) would host an auction to sell the Target Equity Interest and the Debt by way of tender in January 2019. Although the Company did not have any intention to acquire the remaining 30% equity interests in the Target Company before, the Company did not want any unfriendly or stranger, to be a minority shareholder of the Target Company, who might hinder and/or affect the development of the Target Company. This in turn might harm the interest of the Company and its Shareholders as a whole. Accordingly, the Company decided that it would be in its best interests to acquire the Target Equity Interest to secure full and complete control over the Target Company. In view of the location of the land and property held by the Target Company, the Board believes that the Acquisition provides the Group with a highly flexibility for decision-making in the Target Company with a view to generate more return on investment to shareholders.

Accordingly, the Board is of the view that the terms of the Acquisition Agreement is all on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole. As such, the Board recommend the Shareholders to vote in favour of the ordinary resolutions contained in the SGM Notice to approve the Acquisition and the transactions contemplated thereunder.

THE FINANCIAL IMPACT OF ACQUISITION OF FURTHER 30% EQUITY INTEREST OF THE TARGET COMPANY

As at the Latest Practicable Date, the Target Company is indirectly 70% owned by the Company. Upon completion of the Acquisition, the Target Company will become an indirectly wholly-owned subsidiary of the Company and remain as a member of the Group. As such, the results of operations and financial position of the Target Company will continue to be recorded in the Company's consolidated financial statements. The difference between the consideration for equity interest and the net assets value attributable to 30% equity interest of the Target Company will be accounted for as an equity transaction. The Acquisition will not result in the recognition of any gain or loss in profit or loss but the Group may experience reduced cash flow of approximately RMB154,191,000 and decreasing in non-controlling interest of approximately RMB92.97 million in the consolidated statement of financial position of the Group as a result of the Acquisition, which may affect the assets and liabilities of the Company, specifically a decrease in cash and decrease in loan from non-controlling shareholder in the sum of RMB154,191,000. The Group will not be enlarged by the Acquisition because the financial information of the Target Company has already been consolidated into the financial statements of the Company before completion of the Acquisition.

IMPLICATIONS UNDER LISTING RULES

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

Further, as the Vendor is the registered owner of 30% of the Target Company, hence a substantial shareholder of the Target Company, which is a 70% indirectly owned subsidiary of the Company, the Vendor is a connected person of the Company at the subsidiary level under the Listing Rules. As such, the Acquisition also constitutes as a connected transaction under Chapter 14A of the Listing Rules.

Since (i) the Vendor is a connected person of the Company at subsidiary level under the Listing Rules; (ii) the Directors (including the independent non-executive Directors) have approved the terms of the Acquisition Agreement and the Acquisition; and (iii) the independent non-executive Directors of the Company have confirmed that the terms of the Acquisition Agreement and the Acquisition are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition Agreement and the Acquisition constituted as a connected transaction which is only subject to the reporting and announcement requirements, but exempted from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

THE SGM

A notice convening the special general meeting of the Company (the "**SGM**") to be held at 36/F, Champion Tower, 3 Garden Road, Central, Hong Kong on 20 April 2020 at 3:00 p.m. is set out on pages SGM1 to SGM2 of this circular. Whether or not Shareholders are able to attend and vote at the SGM in person, Shareholders are requested to read the notice and to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM or any adjourned meeting thereof Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjourned meeting thereof.

As at the Latest Practicable Date, none of the Directors or Shareholders have any material interest in the Acquisition Agreement and the transactions contemplated thereunder. As such, no Director is required to abstain from voting on the Board resolution to approve the Agreement and the transactions contemplated thereunder and no Shareholder is required to abstain from voting at SGM. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the 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 resolutions to be proposed at the SGM in accordance with the memorandum of association and the bye-laws of the Company.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 15 April 2020 to Monday, 20 April 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 Friday, 17 April 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' Road, North Point, Hong Kong not later than 4:00 p.m. on Tuesday, 14 April 2020.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
By Order of the Board
MENG Guang Bao
Chairman and Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 March 2016, 2017 and 2018, nine months ended 31 December 2018 and six months ended 30 June 2019 are disclosed in the annual reports of the Company for the financial years ended 31 March 2016 (pages 45 to 212), 31 March 2017 (pages 81 to 259) and 31 March 2018 (pages 62 to 239), nine months ended 31 December 2018 (pages 60 to 291) and the interim report of the Company for the six months ended 30 June 2019 (pages 21 to 77), respectively, and are incorporated by reference into this circular. The said annual reports of the Company are available on the website of the Company at www.huajunholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

The Company's 2016 annual report is available at:
http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0719/LTN20160719231.pdf

The Company's 2017 annual report is available at:
http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0725/LTN20170725175.pdf

The Company's 2017/2018 annual report made up to 31 March 2018 is available at:
http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0730/LTN20180730051.pdf

The Company's 2018 annual report made up to 31 December 2018 is available at:
http://www.hkexnews.hk/listedco/listconews/SEHK/2019/0527/LTN20190527690.pdf

The Company's interim report for the six months ended 30 June 2019 is available at:
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0904/ltn20190904587.pdf

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2020 being the latest practicable date for the purpose of this indebtedness statement, the Group had the following liabilities:

(a) Borrowings

As at the close of business on 31 January 2020 (being the latest practicable date for the purpose of this indebtedness statement), the Group had outstanding borrowings of approximately RMB11,131 million, comprising secured bank borrowings of approximately RMB9,745 million, unsecured bank borrowings of approximately RMB400 million, unsecured borrowings from immediate holding company of RMB93 million and unsecured bonds payable of approximately RMB893 million. The borrowings of approximately RMB1,815 million are guaranteed and RMB9,316 million are unguaranteed.

(b) Pledge of assets

As at the close of business on 31 January 2020, the Group's property, plant and equipment, right of use assets (which includes prepaid lease payment in respect of the land use rights), land and property for sale, investment properties, inventories and pledged bank deposits with carrying amounts of approximately RMB652 million, RMB568 million, RMB5,483 million, RMB4,642 million, RMB10 million, and RMB382 million, respectively, were pledged to secure certain banking and credit facilities of the Group.

(c) Guarantees

As at the close of business on 31 January 2020, the Company had provided corporate guarantees to the extent of approximately RMB2,082 million to secure general banking facilities granted to its subsidiaries. As at 31 January 2020, the amount drawn against the banking facilities amounted to approximately RMB1,815 million.

Save as disclosed above or otherwise mentioned in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any other outstanding indebtedness at the close of business on 31 January 2020 or any loan capital issued and outstanding or agreed to be issued, and authorised or otherwise created but unissued, bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

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

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

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

(ii) Trading and logistics

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

(iii) Provision of financial services

(i) Finance Lease

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

(ii) Provision of Finance

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

(iii) Securities Investments

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

(iv) Securities brokerage and assets management

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

(iv) Property development and investments

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

(v) Manufacturing and sales of photovoltaic products

The PRC government indicated the tightening of the photovoltaic ("**PV**") policy which is evidenced by the release of the notification jointly issued by the National Development and Reform Commission, the Ministry of Finance and the Energy Bureau on 31 May 2018 in relation to new regulations for the PV industry in China, which is usually referred to as the 531 New Policy (the "**531 New Policy**"). The uncertainties brought by the 531 New Policy and future policies has caused the demand in the domestic market to fall. To cope with the challenges faced by the Group under the 531 New Policy, the Group centralises the production of solar products in Jiangsu Province in the PRC to the production plant at Jurong which has more advanced technology and automation. The production plant at Jurong has commenced commercial production since November 2018 and has gradually increased the production in the first half of 2019.

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

5. MATERIAL ADVERSE CHANGE

On 16 August 2019, the Company issued a profit warning and announced that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2019 (the "**Period**"), the Group is expected to record a loss attributable to equity holders of the Company for the Period as compared to a profit recorded for the six months ended 30 September 2018 (the "**Last Period**"). Based on the information available to the Board as at 16 August 2019, such a loss for the Period was mainly due to (1) there is no reversal provision for financial guarantee contracts for the Period while a gain on reversal of provision for financial guarantee contracts of RMB223.9 million was recorded in profit or loss for the Last Period; and (2) decrease in gain on change in fair value of convertible bonds for the Period compared to the Last Period.

On 13 March 2020, the Company issued another profit warning, which was later supplemented by a supplemental announcement issued on 17 March 2020, and announced that based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2019 ("**Year 2019**"), the Group is expected to record the loss attributable to equity holders of the Company for Year 2019 is expected to be 160% or more as compared to the loss attributable to the equity holders of the Company of RMB388,926,000 for the nine months ended 31 December 2018 (the "**Last Year**"). Based on the information currently available to the Board, such an increase in loss for Year 2019 was mainly due to (1) there is no reversal provision for financial guarantee contracts for Year 2019 while a gain on reversal of provision for financial guarantee contracts of RMB261.7 million was recorded in profit or loss for the Last Year; (2) decrease in gain on change in fair value of convertible bonds for Year 2019 by approximately 90% compared to the Last Year of RMB118,374,000; and (3) increase in finance costs by approximately 25% in Year 2019 compared to the Last Year.

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 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. RECONCILIATION OF VALUATION OF THE PROPERTY

LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, has valued the Property as at 31 December 2019. Details of the valuation report are set out in Appendix V to this circular. As required under Rule 5.07 of the Listing Rules, the reconciliation between valuation of the Property as at 31 December 2019 and the book value of the Property as at 30 September 2019 is as follows:

	RMB
Book value as at 30 September 2019	962,059,000
Additions	81,118,000
Adjustments	Nil
Depreciation	Nil
Valuation surplus	100,623,000
Valuation as at 31 December 2019	1,143,800,000

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this investment circular.

中汇 ZHONGHUI

26 March 2020

ACCOUNTANTS ' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUAJUN INTERNATIONAL GROUP LIMITED

Introduction

We report on the historical financial information of Wuxi Huize Real Estate Co., Limited* (the "**Target Company**") set out on pages II-4 to II-33, which comprises the statements of financial position of the Target Company as at 31 December 2016, 2017, 2018 and 30 September 2019, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 December 2016, 2017 and 2018 and nine months ended 30 September 2019 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the investment circular of the Company dated 26 March 2020 in connection with the proposed acquisition of the 30% equity interest in the Target Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Company's financial position as at 31 December 2016, 2017, 2018 and 30 September 2019 and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target Company which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2018 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the Historical Financial Information which mentions that the Target Company incurred loss of RMB7,893,000 for the period ended 30 September 2019 and as at 30 September 2019, the Target Company had net current liabilities and net liabilities of RMB309,782,000 and RMB309,718,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Target Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Audit Engagement Director
Practising Certificate Number P03614

Hong Kong, 26 March 2020

* *The English name is a translation of its Chinese name of 無錫惠澤置業有限公司 and included herein for identification purpose only.*

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

Wuxi Huize Real Estate Co., Limited* (the "**Target Company**") was incorporated on 22 September 2009 in the People's Republic of China (the "**PRC**") with limited liability and engaged in real estate associated business.

The Target Company has adopted 31 December as the financial year end date.

The statutory financial statements of the Target Company for each of the two years ended 31 December 2016 and 2017 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the Jiangsu Jinling Certified Public Accountants Co., Ltd. (江蘇金陵會計師事務所有限公司), certified public accountants registered in the PRC. The statutory financial statements of the Target Company for the year ended 31 December 2018 have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by the Jiangyin Chengxin Certified Public Accountants Co., Ltd. (江陰誠信會計師事務所有限公司), certified public accountants registered in the PRC.

The directors of the Target Company have prepared the financial statements of the Target Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") (the "**Underlying Financial Statements**"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

* *The English name is a translation of its Chinese name of 無錫惠澤置業有限公司 and included herein for identification purpose only.*

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*8*	115,375	42,611	12,146	4,906	28,912
Cost of sales		(115,375)	(42,611)	(9,985)	(4,612)	(28,522)
Gross profit		–	–	2,161	294	390
Other income	*9*	745	850	178,775	487	339
Selling expenses		(6,822)	(9,393)	(5,146)	(3,650)	(3,803)
Administrative expenses		(3,176)	(3,811)	(2,351)	(1,835)	(4,237)
(Loss)/profit from operations		(9,253)	(12,354)	173,439	(4,704)	(7,311)
Finance costs	*11*	–	–	–	–	–
(Loss)/profit before tax		(9,253)	(12,354)	173,439	(4,704)	(7,311)
Income tax expenses	*12*	(2,397)	(857)	(244)	(99)	(582)
(Loss)/profit and total comprehensive (expenses)/income for the years/periods	*13*	(11,650)	(13,211)	173,195	(4,803)	(7,893)

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2016	2017	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	15	268	183	122	64
CURRENT ASSETS					
Properties for sale under development and properties held for sale	16	577,763	791,033	1,068,842	1,095,629
Prepayments, deposits and other receivables	17	24,202	22,538	40,687	73,647
Amount due from fellow subsidiaries	18	3,631	4,272	5,000	5,000
Current tax assets		–	–	–	5,272
Pledged bank deposits	19	29,400	4,800	–	–
Bank and cash balances		15,930	21,769	17,076	92,229
		650,926	844,412	1,131,605	1,271,777
CURRENT LIABILITIES					
Trade and bills payables	20	163,049	213,646	190,521	125,245
Accruals and other payables		18,893	12,290	3,052	16,326
Contract liabilities	21	44,174	200,115	325,408	637,559
Current tax liabilities		5,237	2,836	1,011	–
Amounts due to related companies	22	66,650	77,864	–	–
Amount due to a fellow subsidiary	22	–	–	670	670
Amounts due to shareholders	23	525,000	549,864	729,890	645,977
Secured borrowings	24	290,000	263,000	183,000	155,782
		1,113,003	1,319,615	1,433,552	1,581,559
NET CURRENT LIABILITIES		(462,077)	(475,203)	(301,947)	(309,782)
NET LIABILITIES		(461,809)	(475,020)	(301,825)	(309,718)
CAPITAL AND RESERVE					
Capital	25	100,000	100,000	100,000	100,000
Reserves		(561,809)	(575,020)	(401,825)	(409,718)
TOTAL EQUITY		(461,809)	(475,020)	(301,825)	(309,718)

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2016	100,000	(550,159)	(450,159)
Loss and total comprehensive expenses for the year	–	(11,650)	(11,650)
At 31 December 2016 and 1 January 2017	100,000	(561,809)	(461,809)
Loss and total comprehensive expenses for the year	–	(13,211)	(13,211)
At 31 December 2017 and 1 January 2018	100,000	(575,020)	(475,020)
Profit and total comprehensive income for the year	–	173,195	173,195
At 31 December 2018 and 1 January 2019	100,000	(401,825)	(301,825)
Loss and total comprehensive expenses for the period	–	(7,893)	(7,893)
At 30 September 2019	100,000	(409,718)	(309,718)
At 1 January 2018	100,000	(575,020)	(475,020)
Loss and total comprehensive expenses for the period (unaudited)	–	(4,803)	(4,803)
At 30 September 2018 (unaudited)	100,000	(579,823)	(479,823)

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from operating activities					
(Loss)/profit before tax	(9,253)	(12,354)	173,439	(4,704)	(7,311)
Adjustments for:					
Interest income	(393)	(742)	(235)	(224)	(163)
Depreciation	85	91	82	60	65
Reversal of impairment loss on properties for sale under development and properties held for sale	–	–	178,208	–	–
Loss on disposals of property, plant and equipment	–	7	–	–	–
Operating (loss)/profit before working capital changes	(9,561)	(12,998)	351,494	(4,868)	(7,409)
Change in properties under development and properties held-for-sale	7,237	(181,047)	(428,984)	(71,352)	(17,391)
Change in prepayments, deposits and other receivables	(4,658)	1,664	(18,149)	(5,778)	(32,960)
Change in amount due from fellow subsidiaries	(390)	(641)	(728)	4,272	–
Change in amount due to a fellow subsidiary	–	–	670	1,000	–
Change in trade and bills payables	(8,436)	50,597	(23,125)	(19,122)	(65,276)
Change in accruals and other payables	(1,972)	(6,603)	(9,238)	(10,090)	13,274
Change in contract liabilities	35,081	155,941	125,293	85,544	312,151
Cash generated from/(used in) operations	17,301	6,913	(2,767)	(20,394)	202,389
Income tax paid	(3,368)	(3,258)	(2,069)	(1,632)	(6,865)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	13,933	3,655	(4,836)	(22,026)	195,524
Cash flows from investing activities					
Change in pledged bank deposits	4,600	24,600	4,800	4,800	–
Interest received	393	742	235	224	163
Purchases of property, plant and equipment	(9)	(13)	(21)	(3)	(7)
NET CASH GENERATED FROM INVESTING ACTIVITIES	4,984	25,329	5,014	5,021	156

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cash flows from financing activities					
Borrowings raised	290,000	–	–	–	–
Repayment of borrowings	(337,487)	(27,000)	(80,000)	(40,000)	(27,218)
Advance from/(repayment to) related companies	66,650	11,214	(77,864)	(76,416)	–
Advance from/(repayment to) shareholders	8,500	19,720	180,026	142,676	(83,913)
Interest paid	(41,896)	(27,079)	(27,033)	(19,271)	(9,396)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(14,233)	(23,145)	(4,871)	6,989	(120,527)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,684	5,839	(4,693)	(10,016)	75,153
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEARS/PERIODS	11,246	15,930	21,769	21,769	17,076
CASH AND CASH EQUIVALENTS AT END OF YEARS/PERIODS	15,930	21,769	17,076	11,753	92,229
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances	15,930	21,769	17,076	11,753	92,229

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the PRC with limited liability on 22 September 2009. The address of its registered office and principal place of business is 江陰市長山大道99-46號.

The Target Company is principally engaged in real estate associated business in the PRC.

In the opinion of the directors of the Target Company, as at 30 September 2019, Baohua Properties Management (Yingkou) Co., Limited (formerly known as Baohua Properties Management (China) Co., Limited). (保華置業管理(營口)有限公司(前稱保華置業管理(中國)有限公司)) ("**Baohua Properties**") is the immediate holding company of the Target Company and Huajun international Group Limited ("**Huajun**") is the ultimate holding company of the Target Company.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 5 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

3. GOING CONCERN BASIS

The Target Company incurred loss of RMB7,893,000 for the period ended 30 September 2019 and as at 30 September 2019, the Target Company had net current liabilities and net liabilities of RMB309,782,000 and RMB309,718,000 respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Target Company ' s ability to continue as a going concern. Therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Historical Financial Information has been prepared on a going concern basis. In preparing the Historical Financial Information, the directors of the Target Company have reviewed the Target Company's financial and liquidity position, and taken into consideration the following factors:

The Historical Financial Information have been prepared on a going concern basis, the validity of which depends upon the financial support of Huajun, at a level sufficient to finance the working capital requirements of the Target Company. Huajun has agreed to provide adequate funds for the Target Company to meet its liabilities as they fall due. The directors are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Target Company be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Target Company's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. Taking into account the going concern issue of the Target Company, the Board is of the view that the Acquisition is in the interests of the Company and its shareholders as a whole as the anticipated sale of the properties held by the Target Company is expected to improve its future profitability.

4. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Company had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations.

The Target Company has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Target Company has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material effect on the results of operations and financial position of the Target Company.

5. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention. The Historical Financial Information is presented in Renminbi ("**RMB**") which is the Target Company's functional and presentation currency and all figures are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in Note 6 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Furniture and fixtures	20%
Motor vehicle	25%
Computer and office equipment	10% – 33%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Properties for sale under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Costs of properties include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target Company transfers substantially all the risks and rewards of ownership of the assets; or the Target Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target Company are classified as financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Target Company recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target Company measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Target Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target Company's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target Company are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Target Company recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Target Company's performance;

– the Target Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Target Company's performance does not create an asset with an alternative use to the Target Company and the Target Company has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Revenue from sale of properties in the ordinary course of business is recognised when the full payments have been made and the respective properties have been completed and delivered to the buyers. Delivery takes place on the date of collective delivery or execution of the formal sales and purchase agreement, whichever is earlier. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the statement of financial position as "Contract liabilities" under current liabilities.

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Target Company participates in a defined contribution retirement scheme organised by the government in the PRC. The Target Company is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target Company can no longer withdraw the offer of those benefits and when the Target Company recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in a subsidiary, except where the Target Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Target Company intends to settle its current tax assets and liabilities on a net basis.

PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for PRC enterprise income tax purposes.

Related parties

A related party is a person or entity that is related to the Target Company.

(A) A person or a close member of that person's family is related to the Target Company if that person:

- (i) has control or joint control over the Target Company;
- (ii) has significant influence over the Target Company; or
- (iii) is a member of the key management personnel of the Target Company or of a parent of the Target Company.

(B) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company. If the Target Company is itself such a plan, the sponsoring employers are also related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to a parent of the Target Company.

Impairment of assets

At the end of each reporting period, the Target Company reviews the carrying amounts of its tangible assets except receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

6. CRITICAL JUDGMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors of the Target Company have made the following judgements that have the most significant effect on the amounts recognised in the Historical Financial Information.

Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the factors explained in Note 3 to the Historical Financial Information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Land appreciation tax

The Target Company is subject to land appreciation tax in the PRC. However, the implementation and settlement of the tax varies amongst different tax jurisdictions in various cities of the PRC and certain property development projects of the Target Company have not finalised their land appreciation tax calculations and payments with local tax authorities in the PRC. Accordingly, significant judgment is required in determining the amount of land appreciation and its related income tax provisions. The Target Company recognised the land appreciation tax based on management's best estimates. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and the related income tax provisions in the periods in which such tax is finalised with local tax authorities.

(b) Determination of net realisable value of properties for sale under development and properties held for sale

Properties for sale under development and properties held for sale are stated at the lower of cost and net realisable value with an aggregate carrying amount of RMB577,763,000, RMB791,033,000, RMB1,068,842,000 and RMB1,095,629,000 as at 31 December 2016, 2017, 2018 and 30 September 2019 respectively. Cost, including the cost of land, development expenditure, borrowing costs capitalised in accordance with the Target Company's accounting policy and other attributable expenses, are allocated to each unit in each phase based on sellable gross floor area, using the weighted average method. The net realisable value is the estimated selling price less estimated selling expenses and estimated cost of completion (if any), which are determined based on best available information. Where there is any decrease in the estimated selling price arising from any changes to the property market conditions in the PRC, there may be write-down on the properties under development for sale and completed properties for sale.

7. FINANCIAL RISK MANAGEMENT

The Target Company's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Target Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Company's financial performance.

(a) Foreign currency risk

The Target Company has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi. The Target Company currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Target Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amounts of the amount due from fellow subsidiaries, pledged bank deposits, bank and cash balances and other receivables included in the statements of financial position represent the Target Company's maximum exposure to credit risk in relation to the Target Company's financial assets.

The Target Company has no significant concentration of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amount due from fellow subsidiaries are closely monitored by the directors.

The credit risk on bank and cash balances and pledged bank deposits is limited because the counterparties are banks with good reputation.

The Target Company considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Target Company. The Target Company normally categorises a receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where receivables have been written off, the Target Company, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Company uses two categories for non-trade loan receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Company considers historical loss rates for each category and adjusts for forward looking data.

Category	**Definition**	**Loss provision**
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

(c) Liquidity risk

The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. All of the Target Company's financial liabilities are due within one year.

(d) Interest rate risk

As the Target Company has no significant interest-bearing assets and liabilities, the Target Company's operating cash flows are substantially independent of changes in market interest rates.

The Target Company's exposure to the cash flow interest rate risk relates primarily to the interest-bearing borrowings with floating interest rates. The effective interest rates and terms of repayment of the interest-bearing borrowings of the Target Company are disclosed in Note 24 to the Historical Financial Information.

For the Relevant Periods, if interest rates had been 10 basis points higher/lower with all other variables held constant, (loss)/profit after tax for the Relevant Periods would have been (increased)/decreased for the year ended 2016, 2017, 2018 and nine months ended 30 September 2019 mainly as a result of changes in interest expenses and income on secured borrowings as follows:

	Year ended 31 December			**Nine months ended 30 September**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest rates – increase by 10 basis point	(218)	(197)	(137)	(117)
Interest rates – decrease by 10 basis point	218	197	137	117

(e) Categories of financial instruments

	At 31 December			Nine months ended 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:				
Financial assets at amortised cost (including cash and cash equivalents)	55,674	36,316	26,754	101,940
Financial liabilities:				
Financial liabilities at amortised cost	1,063,592	1,116,664	1,106,463	943,330

(f) Fair values

The carrying amounts of the Target Company's financial assets and financial liabilities as reflected in the statements of financial position approximate their respective fair values.

8. REVENUE

The Target Company's revenue for the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of properties	119,878	42,868	12,219	4,936	29,087
Less: Taxes and surcharges	(4,503)	(257)	(73)	(30)	(175)
	115,375	42,611	12,146	4,906	28,912

Disaggregation of revenue from contracts with customers

For the years ended 31 December 2016, 2017 and 2018 and nine months ended 30 September 2018 and 2019, all of timing of revenue recognition is at a point in time.

9. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Reversal of impairment loss on properties for sale under development and properties held for sale *(Note)*	–	–	178,208	–	–
Recognition of deferred rental income	90	90	170	170	170
Sundry income	262	18	162	93	6
Interest revenue	393	742	235	224	163
	745	850	178,775	487	339

Note: In the past years, The Target Company sold its properties below the construction cost and the Target Company provided impairment on properties held for sales under development and properties held for sales. Starting from mid-2018, the selling price of the properties increased and above the construction cost, the Target Company decides to reverse the impairment provided in past years.

10. SEGMENT INFORMATION

The Target Company's operating segment is property development in the PRC. Since this is the only operating segment of the Target Company, no further analysis thereof is presented.

The Target Company's operation and operating assets are substantially located in the PRC. Accordingly, no geographical segment information is presented.

There is no single customer or a group of customers under common control which contributed over 10% of the Target Company's revenue during the Relevant Periods.

11. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings	31,830	32,223	22,777	19,269	9,396
Amount capitalised	(31,830)	(32,223)	(22,777)	(19,269)	(9,396)
	–	–	–	–	–

12. INCOME TAX EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax					
PRC Corporate Income Tax	–	–	–	–	–
PRC Land Appreciation Tax	2,397	857	244	99	582
	2,397	857	244	99	582

No provision for PRC Corporate Income Tax is required since the Target Company has no assessable profit during the Relevant Periods.

As at 30 September 2019, the Target Company has unused tax losses of RMB278,146,000 (31 December 2018: RMB291,158,000, 31 December 2017: RMB249,533,000, 31 December 2016: RMB276,678,000) available for offset against future profits. No deferred tax assets have been recognised as at 31 December 2016, 2017, 2018, and nine months ended 30 September 2019 in respect of these tax losses due to the unpredictability of future income stream. As at 30 September 2019, included in unrecognised tax losses are losses of RMB18,006,000 (31 December 2018: RMB45,534,647, 31 December 2017: Nil, 31 December 2016: RMB185,003,000) will expire in 2024 (31 December 2018: 2023, 31 December 2017: Nil, 31 December 2016: 2021).

The reconciliation between the income tax expense and the (loss)/profit before tax multiplied by the PRC Corporate Income Tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
(Loss)/profit before tax	(9,253)	(12,354)	173,439	(4,704)	(7,311)
Tax at domestic income tax rate of 25%	(2,313)	(3,089)	43,360	(1,176)	(1,828)
Tax effect of non-taxable income	–	–	(44,552)	–	–
PRC Land Appreciation Tax	2,397	857	244	99	582
Tax losses not recognised	2,313	3,089	1,192	1,176	1,828
Income tax expense	2,397	857	244	99	582

13. LOSS FOR THE YEARS/PERIODS

The Target Company's loss for the Relevant Periods is stated after charging/(crediting) the following:

	Year ended 31 December			Nine months ended 30 September	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' emoluments	–	–	–	–	–
Depreciation	85	91	82	60	65
Cost of properties sold	115,375	42,611	9,985	4,612	28,522
Staff costs					
– salaries, bonuses and allowances	650	706	835	594	912
– other staff costs	61	117	220	126	256
– retirement benefits contributions	153	153	74	58	149
Total staff costs, including directors' remunerations	864	976	1,129	778	1,317

14. DIVIDENDS

The directors of the Target Company do not recommend the payment of any dividend in respect of the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Motor vehicle	Computer and office equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At 1 January 2016	195	296	318	809
Additions	–	–	9	9
At 31 December 2016 and 1 January 2017	195	296	327	818
Additions	–	–	13	13
Disposals	–	–	(144)	(144)
At 31 December 2017 and 1 January 2018	195	296	196	687
Additions	–	–	21	21
At 31 December 2018 and 1 January 2019	195	296	217	708
Additions	–	–	7	7
At 30 September 2019	195	296	224	715
Accumulated depreciation				
At 1 January 2016	169	11	285	465
Charge for the year	6	70	9	85
At 31 December 2016 and 1 January 2017	175	81	294	550
Charge for the year	7	70	14	91
Disposals	–	–	(137)	(137)
At 31 December 2017 and 1 January 2018	182	151	171	504
Charge for the year	2	71	9	82
At 31 December 2018 and 1 January 2019	184	222	180	586
Charge for the period	1	53	11	65
At 30 September 2019	185	275	191	651
Carrying amount				
At 30 September 2019	10	21	33	64
At 31 December 2018	11	74	37	122
At 31 December 2017	13	145	25	183
At 31 December 2016	20	215	33	268

16. PROPERTIES UNDER DEVELOPMENT AND PROPERTIES HELD-FOR-SALE

Properties for sale under development and properties held for sale in the statements of financial position comprise:

	At 31 December			At 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties for sale under development	286,074	541,955	783,416	838,726
Properties held for sale	291,689	249,078	285,426	256,903
	577,763	791,033	1,068,842	1,095,629

All of the properties for sale under development and properties held for-sale are located in the PRC. All the properties held-for-sale are stated at cost.

At 30 September 2019, the carrying amount of properties for sale under development and properties held-for- sale pledged as security to obtain the bank facilities of the Target Company amounted to approximately RMB522,159,000 (31 December 2018: RMB509,892,000, 31 December 2017: RMB320,151,000, 31 December 2016: RMB324,965,000).

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for construction contracts	15,789	8,379	12,709	26,351
Prepayments	1,700	8,684	23,300	42,585
Deposits	350	350	350	350
Other receivables	6,363	5,125	4,328	4,361
	24,202	22,538	40,687	73,647

18. AMOUNT DUE FROM FELLOW SUBSIDIARIES

Name	At 31 December 2016	At 31 December 2017	At 31 December 2018	At 30 September 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wuxi Huiyuan Real Estate Co., Limited* 無錫市惠遠置業有限公司	–	–	5,000	5,000
Wuxi City Home Real Estate Guarantee Co., Limited* 無錫市住房置業擔保有限公司	3,631	4,272	–	–
	3,631	4,272	5,000	5,000

The above amount are unsecured, interest-free, have no fixed repayment terms and would not be settled upon completion.

Wuxi Huiyuan Real Estate Co., Limited is a subsidiary of Huajun.

Wuxi City Home Real Estate Guarantee Co., Limited is an independent third party of Huajun.

Wuxi City Home Real Estate Guarantee Co., Limited is a fellow subsidiary of the Target Company as at 31 December 2016 and 2017. As at 31 December 2018 and 30 September 2019 it is an independent third party of the Target Company, due to Wuxi City Development Group Co., Limited's disposal of all its shares in the Target Company.

Maximum amount outstanding due from fellow subsidiaries disclosed are as follows:

Name	Year ended 31 December 2016	Year ended 31 December 2017	Year ended 31 December 2018	At 30 September 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wuxi Huiyuan Real Estate Co., Limited* 無錫市惠遠置業有限公司	–	–	5,000	5,000
Wuxi City Home Real Estate Guarantee Co., Limited* 無錫市住房置業擔保有限公司	3,631	4,272	4,272	–

* *The English name is a translation of its Chinese name and included herein for identification purpose only.*

19. PLEDGED BANK DEPOSITS

As at 31 December 2016 and 2017, The Target Company's pledged bank deposits represented deposits pledged to banks to secure bank acceptance bills granted to the Target Company as set out in Note 20 to the Historical Financial Information. The deposits are in RMB at fixed interest rate of 1.30% and 1.30% at 31 December 2016 and 2017 respectively, per annum and therefore are subject to fair value interest rate risk.

20. TRADE AND BILLS PAYABLES

	Year ended 31 December			At 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	148,649	208,846	190,521	125,245
Bills payables (note (a))	14,400	4,800	–	–
	163,049	213,646	190,521	125,245

The ageing analysis of the trade payables is as follows:

	Year ended 31 December			At 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	90,614	184,100	173,730	113,312
91 – 180 days	874	4,070	917	645
181 – 365 days	38,595	3,687	7,198	96
Over 365 days	18,566	16,989	8,676	11,192
	148,649	208,846	190,521	125,245

The credit period on trade payable is normally within 90 days to 365 days from the invoice date during the Relevant Periods.

(a) Bills payables

Bills payables represented bank acceptance bills not matured.

As at 31 December 2016 and 2017, the Target Company had paid out the bank acceptance bills amounting to RMB14,400,000 and RMB4,800,000 respectively. All of the bills payables of the Target Company as at 31 December 2016 and 2017 were secured by pledged bank deposits as set out in Note 19 to the Historical Financial Information.

21. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	At 1 January		At 31 December		At 30 September
	2016	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	9,093	44,174	200,115	325,408	637,559

		At 31 December		At 30 September
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised in the year/period that was included in contract liabilities at beginning of year/period	6,128	4,401	4,436	2,192

Transaction prices allocated to performance obligations unsatisfied at end of year/period and expected to be recognised as revenue in:

–2017	4,401	–	–	–
–2018	–	4,436	–	–
–2019	–	–	2,192	10,614
–2020	39,773	195,679	323,216	626,945
	44,174	200,115	325,408	637,559

Significant changes in contract liabilities during the year/period:

		At 31 December		At 30 September
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase due to operations in the year/period	41,209	160,342	129,729	314,343
Transfer of contract liabilities to revenue	(6,128)	(4,401)	(4,436)	(2,192)

A contract liability represents the Company's obligation to transfer products or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

22. AMOUNTS DUE TO RELATED COMPANIES/AMOUNT DUE TO A FELLOW SUBSIDIARY

Amounts due to related companies are mainly unsecured, bearing interest up to 8% per annum and repayable on demand would not be settled upon completion.

Amount due to a fellow subsidiary is unsecured, interest-free, no fixed repayment terms and would not be settled upon completion.

23. AMOUNTS DUE TO SHAREHOLDERS

Amount due to Wuxi City Jinde Asset Management Co., Limited is unsecured, being interest up to 2% per annum, repayable on demand and would be settled upon completion.

The remaining amounts to shareholders are mainly unsecured, bearing interest up to 6% per annum, repayable on demand and would not be settled upon completion.

24. SECURED BORROWINGS

	Year ended 31 December			At 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	290,000	263,000	183,000	155,782

All borrowings are repayable on demand or within one year. The average interest rates of the borrowings were as follow:

	Year ended 31 December			At 30 September
	2016	**2017**	**2018**	**2019**
Average interest rates	5.95%	5.95%	5.95%	5.95%

The Target Company pledged the following assets held by the Target Company for the borrowing granted to the Target Company:

	Year ended 31 December			At 30 September
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Properties for sale under development and properties held-for-sale	324,965	320,151	509,892	522,159

As at 31 December 2016 and 2017, all of the borrowings are guaranteed by Wuxi Real Estate Development Group Co., Limited (無錫市房地產開發集團有限公司) and Wuxi City Development Group Co., Limited (無錫城市發展集團有限公司), an immediate holding company and the ultimate holding company of the Target Company.

On 4 April 2018, a banker of the Target Company, the Target Company, Wuxi Real Estate Development Group Co., Limited (the immediate holding company of the Target Company), Wuxi City Development Group Co., Limited (the ultimate holding company of the Target Company), and Baohua Properties (a fellow subsidiary of Baohua Properties (China) Limited (a shareholder of the Target Company)), entered into a five-party agreement, pursuant to which the guarantors of the Company's bank loan was transferred from Wuxi Real Estate Development Group Co., Limited and Wuxi City Development Group Co., Limited to Baohua Properties and and Wuxi City Development Group Co., Limited. The change of guarantors was due to the change of ownership of the Target Company.

25. CAPITAL

	RMB'000
At 1 January 2016, 31 December 2016, 2017, 2018 and 30 September 2019	100,000

The Target Company's objectives when managing capital are to safeguard the Target Company's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

26. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Target Company's changes in liabilities arising from financing activities during the year:

	Secured borrowings	Amounts due to related companies	Amounts due to shareholders	Total liabilities from financing activities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	337,487	–	526,566	864,053
Changes in cash flows	(47,487)	63,180	(8,205)	7,488
Non-cash changes				
– interest charged	–	3,470	6,639	10,109
At 31 December 2016 and 1 January 2017	290,000	66,650	525,000	881,650
Changes in cash flows	(27,000)	4,540	16,420	(6,040)
Non-cash changes				
– interest charged	–	6,674	8,444	15,118
At 31 December 2017 and 1 January 2018	263,000	77,864	549,864	890,728
Changes in cash flows	(80,000)	(82,120)	176,367	14,247
Non-cash changes				
– interest charged	–	4,256	3,659	7,915
At 31 December 2018 and 1 January 2019	183,000	–	729,890	912,890
Changes in cash flows	(27,218)	–	(83,913)	(111,131)
At 30 September 2019	155,782	–	645,977	801,759

27. CAPITAL COMMITMENTS

The Target Company's capital commitments at the end of each reporting period are as follows:

	At 31 December			At 30 September
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Construction commitments in respect of properties under construction contracted for but not provided in the Historical Financial Information	454,785	291,595	200,704	108,875

28. CONTINGENT LIABILITIES

At the end of each Reporting Period, the Target Company did not have any significant contingent liabilities.

29. RELATED PARTY TRANSACTIONS

(a) Related parties of the Target Company

The directors consider that the following entities are related parties of the Target Company:

Name of related party	Relationship exists with the Target Company as at	Relationship with the Target Company
Wuxi City Development Group Co., Limited* 無錫城市發展集團有限公司	31 December 2016 and 2017	The ultimate holding company of the Target Company.
Wuxi Real Estate Development Group Co., Limited* 無錫市房地產開發集團有限公司	31 December 2016 and 2017	The immediate holding company of the Target Company.
Wuxi City Investment and Development Co., Limited* 無錫市城市投資發展有限公司	31 December 2016 and 2017	The immediate holding company of the Target Company.
Wuxi Chengfa Commercial Factoring Co., Limited* 無錫市城發商業保理有限公司	31 December 2016 and 2017	A subsidiary controlled by the ultimate holding company of the Target Company.
Wuxi Liangxi River Management Co., Limited 無錫市梁溪河整治投資管理有限公司	31 December 2016 and 2017	A subsidiary controlled by the ultimate holding company of the Target Company.
Wuxi City Home Real Estate Guarantee Co., Limited* 無錫市住房置業擔保有限公司	31 December 2016 and 2017	A subsidiary controlled by the ultimate holding company of the Target Company.
Wuxi City Jinde Asset Management Co., Limited* 無錫金德資產管理有限公司	31 December 2016, 2017, 2018 and 30 September 2019	A shareholder of the Target Company.
Yixing Zhongtang Properties Co., Limited* 宜興中堂置業有限公司	31 December 2016 and 2017	A shareholder of the Target Company.
Jiangsu Zhongtang Property Co., Limited* 江蘇中堂置業有限公司	31 December 2016 and 2017	A subsidiary controlled by the shareholder of the Target Company.
Wuxi Huiyuan Real Estate Co., Limited* 無錫市惠遠置業有限公司	31 December 2016, 2017, 2018 and 30 September 2019	A subsidiary controlled by the ultimate holding company of the Target Company.
Liaoning Baohua Asset Management Co., Limited* 遼寧保華資產管理有限公司	31 December 2018 and 30 September 2019	A subsidiary controlled by the shareholder of the Target Company.

Name of related party	Relationship exists with the Target Company as at	Relationship with the Target Company
Baohua Properties	31 December 2018 and 30 September 2019	A shareholder of the Target Company.
Baohua Properties (China) Limited 保華地產(中國)有限公司	31 December 2018 and 30 September 2019	A shareholder of the Target Company.

* *The English name is a translation of its Chinese name and included herein for identification purpose only.*

(b) Significant related party transactions

Other than the balances with related parties as disclosed elsewhere in the Historical Financial Information, the Target Company had the following transactions with its related parties during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings paid to related companies	3,470	6,674	4,256	4,256	–
Interest on borrowings paid to shareholders	6,639	8,444	3,659	3,659	–
Service fee paid to related companies	2,407	1,909	–	–	–
Service fee paid to shareholders	200	920	–	–	–

30. EVENTS AFTER THE REPORTING PERIOD

Litigation of the Target Company

As disclosed in Note 8 of the Property Valuation Report, page V-12, in Appendix V, 79 residential units of the Project and land use rights under Phase 4 of Project are subject to various mortgages (the "**Mortgages**") in favour of Bank of Ningbo Co. Ltd. Wuxi Branch (寧波銀行股份有限公司無錫分行) (the "**Ningbo Bank**") to secure borrowings of the Target Company in the aggregate sum of RMB290million (the "**Loan**"), of which approximately RMB153,000,000 is outstanding as at the Latest Practicable Date. The term of the Loan was from 25 July 2016 to 12 May 2019. The reason for the default of the Loan is due to insufficient cash flow of the Target Company.

On 2 July 2019, 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 the Target Company and Baohua Properties, an indirect wholly-owned subsidiary of the Company, in which it was alleged that the Target Company has defaulted in payment of the Loan for an amount of RMB155,782,000. The maturity date of the Mortgages was on 31 December 2019, which is later than the maturity date of the Loan due to Ningbo Bank's request to protect their interests. The Mortgages will be released upon repayment of the relevant principal on an unit-by-unit basis. An order was granted by the Jiangsu Court to freeze and preserve certain bank balances or equivalents asset of RMB190,000,000 owned by the Target Company. On 30 August 2019, judgement was released in favour of the Ningbo Bank. The Target Company filed for an appeal against such judgement on 30 September 2019, but no appeal hearing date has been fixed yet as at the Latest Practicable Date.

On 11 July 2019, the Target Company 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 the Target Company causing huge economic losses in the sum of approximately RMB3.5 million. As at the Latest Practicable Date, judgement has not yet been released in respect of the Target Company's said claim. As at the Latest Practicable Date, the excessive preservation of assets of the Target Company which has been frozen have now been released, however, the Target Company's bank balance of RMB54.5 million, land use rights of Phase 4 of the Project and 79 residential units of the Project are still frozen and such frozen assets are expected to be released upon repayment of borrowings by the Target Company to Ningbo Bank.

The above mentioned litigations are still ongoing, but the Board is of the view that these litigations have little impact on the Target Company because the total expected proceeds from the sale of the 79 pledged residential units held by the Target Company in the sum of RMB263.4 million are sufficient to repay the outstanding balance of the bank loan allegedly owed to Ningbo Bank. Out of the said RMB263.4 million, RMB47.62 million has already been received by the Target Company by way of deposit. Further, taking into account the litigation mentioned herein, the PRC legal adviser confirms that the land use rights of the property are non-transferable, but the units of Phase 4 (including the 79 pledged residential units) can be transferred with the written approval of Ningbo Bank, therefore the sales of the units of Phase 4, including the 79 pledged residential units of the Project are in compliance with the relevant laws and regulations.

As at the Latest Practicable Date, Ningbo bank has granted its approval for the Target Company to transfer the 79 pledged residential units. According to the terms of the written agreement signed between Ningbo Bank and the Target Company, the Target Company will repay RMB54.5 million to Ningbo Bank with the abovementioned bank deposit which has been frozen. The remaining principal of RMB98.5 million and related interest will be repaid to Ningbo Bank by 65% of the sale proceeds yet to be received from the sale of 79 pledged residential units, which amounts to approximately RMB140.3 million and 35% of the sale proceeds in the approximate sum of RMB75.5 million shall be retained by the Target Company.

* *The English name is a translation of its Chinese name and included herein for identification purpose only.*

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2019.

Set out below is the management discussion and analysis of the Target Company, which is based on the financial information of the Target Company as set out in Appendix II to this circular.

BUSINESS OVERVIEW

The Target Company is established in the PRC with limited liability and is principally engaged in real estate associated business.

FINANCIAL REVIEW

(i) Comparison for the nine months ended 30 September 2019 to the nine months ended 30 September 2018

For the nine months ended 30 September 2019, Wuxi Huize recorded revenue of approximately RMB28.91 million, as compared with that of approximately RMB4.91 million for the nine months ended 30 September 2018. Such increase was primarily due to increase in quantity sold. Cost of sales increased from RMB4.61 million for the nine months ended 30 September 2018 to RMB28.52 million for the nine months ended 30 September 2019 due to increase in quantity sold.

The decrease in other income from RMB487,000 for the nine months ended 30 September 2018 to RMB339,000 for the nine months ended 30 September 2019 was mainly due to decrease in interest income and sundry income.

The increase in administrative expenses from RMB1.84 million for the nine months ended 30 September 2018 to RMB4.24 million for the nine months ended 30 September 2019 was mainly due to increase in staff costs and litigation expenses.

(ii) Comparison for the year ended 31 December 2018 to the year ended 31 December 2017

For the year ended 31 December 2018, Wuxi Huize recorded revenue of approximately RMB12.15 million, as compared with that of approximately RMB42.61 million for the year ended 31 December 2017. Such decrease was primarily due to decrease in number of units sold. Cost of sales reduced from RMB42.61 million for the year ended 31 December 2017 to RMB9.99 million for the year ended 31 December 2018 due to decrease in number of units sold.

Other income increased from RMB0.85 million for the year ended 31 December 2017 to RMB178.78 million for the year ended 31 December 2018. The Target Company recorded a reversal of impairment loss on properties for sale under development and properties held for sales approximately of RMB178.21 million during the year ended 31 December 2018.

The decrease in administrative expenses from RMB3.81 million for the year ended 31 December 2017 to RMB2.35 million for the year ended 31 December 2018 was mainly due to decrease in repair and maintenance expenses.

(iii) Comparison for the year ended 31 December 2017 to the year ended 31 December 2016

For the year ended 31 December 2017, Wuxi Huize recorded revenue of approximately RMB42.61 million, as compared with that of approximately RMB115.38 million for the year ended 31 December 2016. Such decrease was primarily due to decrease in number of units sold. Cost of sales reduced from RMB115.38 million for the year ended 31 December 2016 to RMB42.61 million for the year ended 31 December 2017 due to decrease in number of units sold.

The increase in other income from RMB745,000 for the year ended 31 December 2016 to RMB850,000 for the year ended 31 December 2017 was mainly due to increase in interest income.

The increase in administrative expenses from RMB3.18 million for the year ended 31 December 2016 to RMB3.81 million for the year ended 31 December 2017 was mainly due to increase in repairing and maintenance expenses.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019 the net current liabilities of the Target Company were as follow:

	(RMB'000)
As at 31 December 2016	
Net current liabilities	462,077
As at 31 December 2017	
Net current liabilities	475,203
As at 31 December 2018	
Net current liabilities	301,947
As at 30 September 2019	
Net current liabilities	309,782

The current ratio (being current assets over current liabilities) as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019 of the Target Company were as follow:

As at 31 December 2016	
Current ratio	0.58
As at 31 December 2017	
Current ratio	0.64
As at 31 December 2018	
Current ratio	0.79
As at 30 September 2019	
Current ratio	0.80

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019 the net liabilities of the Target Company were as follow:

	(RMB'000)
As at 31 December 2016	
Net liabilities	461,809
As at 31 December 2017	
Net liabilities	475,020
As at 31 December 2018	
Net liabilities	301,825
As at 30 September 2019	
Net liabilities	309,718

CAPITAL STRUCTURE

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019 the interest bearing secured bank borrowings made by the Target Company and the respective average interest rates were as follows:

	(RMB'000)
As at 31 December 2016	
Secured bank borrowings	290,000
As at 31 December 2017	
Secured bank borrowings	263,000
As at 31 December 2018	
Secured bank borrowings	183,000
As at 30 September 2019	
Secured bank borrowings	155,782

As at 31 December 2016	
Average interest rates	5.95%
As at 31 December 2017	
Average interest rates	5.95%
As at 31 December 2018	
Average interest rates	5.95%
As at 30 September 2019	
Average interest rates	5.95%

GEARING RATIO

The gearing ratio of the Target Company, which is equal to the total borrowings including bank borrowing and loan from shareholder to total deficit as at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019 are as follow:

As at 31 December 2016	
Gearing ratio	1.76
As at 31 December 2017	
Gearing ratio	1.71
As at 31 December 2018	
Gearing ratio	3.03
As at 30 September 2019	
Gearing ratio	2.59

FOREIGN CURRENCY RISKS

The businesses conducted by the Target Company during the period from the year ended 31 December 2016 to the nine months ended 30 September 2019 were denominated in RMB. As at 31 December 2016, 31 December 2017, 31 December 2018, and 30 September 2019 all of the business transactions, assets, and liabilities of the Target Company were made in RMB. Therefore, the exposure in currency risks of the Target Company was considered by the management to be minimal and they had not used any financial instrument for hedging purposes during the said period.

CAPITAL COMMITMENT

As at 31 December 2016, 31 December 2017, 31 December 2018, and 30 September 2019 capital commitment of the Target Company in respect of properties under construction were as follow:

	(RMB'000)
As at 31 December 2016	
Capital commitment	454,785
As at 31 December 2017	
Capital commitment	291,595
As at 31 December 2018	
Capital commitment	200,704
As at 30 September 2019	
Capitial commitment	108,875

PLEDGE OF ASSETS

Each of the Target Company had made secured bank or other borrowings in the years ended 31 December 2016, 31 December 2017, 31 December 2018 and period ended 30 September 2019, details were as follow:

	(RMB'000)
As at 31 December 2016	
Pledge of assets	324,965
As at 31 December 2017	
Pledge of assets	320,151
As at 31 December 2018	
Pledge of assets	509,892
As at 30 September 2019	
Pledge of assets	522,159

CONTINGENT LIABILITIES

As at 31 December 2016, 31 December 2017, 31 December 2018 and 30 September 2019, each of the Target Company did not have any significant contingent liabilities.

FUNDING POLICIES

The Target Company will utilise the previously obtained bank loans and the loans from the related parties. The proceeds and rental income generated from the sale and lease of the properties held by the Target Company will also form part of the operating cashflow with the view to achieving self-financing.

TREASURY POLICIES

The Target Company continuously monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Target Company's operations and mitigate the effects of fluctuations in cash flows.

EMPLOYEES AND REMUNERATION POLICY

Remuneration for employees were maintained at a competitive level and determined with reference to the general market condition and qualifications and experience of the employees concerned. As at the Latest Practicable Date, the Target Company had a total of 10 employees. Employees' salaries and wages including directors' remuneration for the years ended 31 December 2016, 31 December 2017, and 31 December 2018 and for the nine months ended 30 September 2018 and 30 September 2019 of the Target Company were as follow:

	(RMB '000)
Year ended 31 December 2016	
Employees' salaries and wages including directors' remuneration	864
Year ended 31 December 2017	
Employees' salaries and wages including directors' remuneration	976
Year ended 31 December 2018	
Employees' salaries and wages including directors' remuneration	1,129
Nine months ended 30 September 2018	
Employees' salaries and wages including directors' remuneration	778
Nine months ended 30 September 2019	
Employees' salaries and wages including directors' remuneration	1,317

Remuneration packages comprised salaries and defined contribution pension fund. Apart from pension, discretionary bonus and allowance will also be granted to certain employees as awards in accordance with individual performance. The Target Company have no share option scheme.

FUTURE PLANS

Properties under development and properties for sale and lease

Wuxi Huize targets to deliver the pre-sold residential units of the residential development, Cang Pin Yu Shan Wan* (藏品敔山灣) and to recognise revenue and to complete the construction of Phase 4 of the said residential units by the year of 2019 for the remaining unsold units, it targets to sell all by 2020. Internal decoration work and infrastructure work are being performed on certain unsold units in order to achieve higher selling prices.

Expected source of funding in the coming year

The operating expenses of the Target Company in the coming year will be funded the proceeds and rental income generated from the sale and lease of the properties held by the Target Company and the previously obtained bank loans and the loans from the related parties.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

ZHONGHUI ANDA CPA Limited
Certified Public Accountants

26 March 2020

The Board of Directors
Huajun International Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Huajun International Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The Unaudited Pro Forma Financial Information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2019 and related notes as set out in Appendix IV of the circular (the "**Circular**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Appendix IV of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of the entire equity interest (the "**Acquisition**") of Wuxi Huize Real Estate Co., Ltd. (formerly known as Baohua Real Estates (Jiangyin) Co., Ltd.)* (無錫惠澤置業有限公司(前稱保華地產(江陰)有限公司)) (the "**Target Company**") on the Group's financial position as at 30 June 2019 as if the Acquisition had taken place on 30 June 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements as included in the interim report for six months ended 30 June 2019, on which no audit or review report has been published. Information about the Target Company's financial position as at 30 September 2019 has been extracted by the Directors from the accountants' report of the Target Company as set out in Appendix II to the Circular.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

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

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

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

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition as at 30 June 2019 would have been as presented.

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

– The related pro forma adjustments give appropriate effect to those criteria; and

– The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Sze Lin Tang
Practising Certificate Number P03614
Hong Kong, 26 March 2020

(1) INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Capitalised terms used herein shall have the same meanings as those defined in this Circular, unless the context requires otherwise.

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Group (the "**Unaudited Pro Forma Financial Information**") has been prepared by the Directors of the Company to illustrate the effect of the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as extracted from the Group's unaudited condensed consolidated financial statements as included in the interim report for the six months ended 30 June 2019, the audited statement of financial position of the Target Company as at 30 September 2019 as extracted from the accountants' report as set out in Appendix II of this Circular after making certain proforma adjustments resulting from the Acquisition.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 30 June 2019. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of this Circular, the financial information of the Target Company as set out in Appendix II of this Circular and other financial information included elsewhere in this Circular.

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019	Pro forma adjustments	The Group
	RMB'000	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	
Non-current assets			
Property, plant and equipment	1,326,300	–	1,326,300
Investment properties	5,961,100	–	5,961,100
Goodwill	8,087	–	8,087
Derivatives component of convertible bonds	20,944	–	20,944
Interests in associates	28,654	–	28,654
Deposits for machineries and investment properties	265,412	–	265,412
Financial assets at fair value through profit or loss	40,586	–	40,586
Other receivables	34,915	–	34,915
Debt instruments at fair value through other comprehensive income	29,744	–	29,744
Deferred tax assets	14,402	–	14,402
Right of use assets	706,088	–	706,088
	8,436,232	–	8,436,232
Current assets			
Properties held for sale	6,010,198	–	6,010,198
Inventories	268,722	–	268,722
Trade and other receivables, and prepayments	1,401,179	–	1,401,179
Loan receivables and interest receivables	15,080	–	15,080
Tax recoverable	1,348	–	1,348
Financial assets at fair value through profit or loss	12,889	–	12,889
Pledged bank deposits	518,247	–	518,247
Bank balances and cash	330,609	(154,191)	176,418
	8,558,272	(154,191)	8,404,081

	Unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019	Pro forma adjustments	The Group
	RMB'000	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	
Current liabilities			
Trade and other payables, and other liabilities	1,284,778	(154,191)	1,130,587
Bills payables	951,257	–	951,257
Tax payable	88,598	–	88,598
Borrowings	5,112,625	–	5,112,625
Contract liabilities	1,329,355	–	1,329,355
Corporate bonds	69,993	–	69,993
Lease liabilities	36,545	–	36,545
	8,873,151	(154,191)	8,718,960
Net current liabilities	(314,879)	–	(314,879)
Total assets less current liabilities	8,121,353	–	8,121,353
Non-current liabilities			
Deferred consideration	95,000	–	95,000
Deferred income	23,846	–	23,846
Deferred tax liabilities	118,322	–	118,322
Amount due to an immediate holding company	3,054,266	–	3,054,266
Borrowings	785,520	–	785,520
Corporate bonds	76,530	–	76,530
Liability component of convertible bonds	734,805	–	734,805
Derivatives component of convertible bonds	2,937	–	2,937
Lease liabilities	24,697	–	24,697
	4,915,923	–	4,915,923
Net assets	3,205,430	–	3,205,430

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(1) Figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as set out in the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2019.

(2) Pursuant to the Acquisition Agreement, the total consideration amounting to RMB154.19 million for the acquisition of 30% equity interests of Target Company and Debt will be settled by cash (comprising equity transfer price of RMB1 and debt of RMB154.19 million).

Under Hong Kong Financial Reporting Standards, The changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions (i.e. transactions with owners in their capacity as owners).

	RMB'000	*RMB'000*
Fair value of consideration paid *(RMB1)*		–
Decrease in non-controlling interests in net liabilities at 30 September 2019		
Net liabilities of Target Company at 30 September 2019	309,718	
Non-controlling interests portion	30%	92,915
Adjustment to equity attributable to shareholders of the Company		92,915

The following is the text of a 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 31 December 2019 of the property interests to be acquired by the Company.

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

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2017 ("IVS") and published by the International Valuation Standards Council. The 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 conclusion.

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

26 March 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 portfolio (same as the word "**property**" in this report) held by Wuxi Huize Real Estate Co., Ltd.* (無錫惠澤置業有限公司) which is a subsidiary of Huajun International Group Limited (hereinafter referred to as the "**Company**") and its subsidiaries (collectively, together with the Company hereinafter referred to as the "**Group**") in the People's Republic of China (hereinafter referred to as the "**PRC**" or "**China**"), we confirm that we have followed the agreed-upon procedures to conduct inspections, to make relevant enquiries and investigation as we consider necessary to support our findings, and to perform an independent valuation of the property as at 31 December 2019 (the "**Valuation Date**") for the Instructing Party's internal management reference purpose. This valuation report comprises the text section and property particulars section. We understand that this report will be included in a Company's circular 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 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 as reported.

Approach to Value

Having considered the general and inherent characteristics of the property, we have valued the property by using the Sales Comparison Approach on the assumption that it 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.

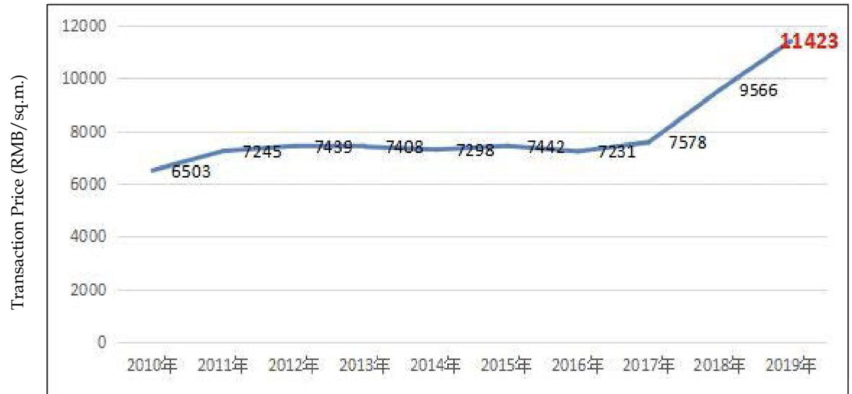
MARKET OVERVIEW

According to the statistics from a local real estate website (www.jy510.com), as shown below, during the year of 2019, there are approximately 23.9 thousand transactions of residential units with the average unit rate of approximately RMB11,432 per sq.m. while the new supply is approximately 21.1 thousand residential units with, the supply-sales ratio of Jiangyin city in 2019 is 1:1.12.

The statistics indicate that the real estate market in Jiangyin City in 2019 is still in the state of demand, although the supply-sales ratio is much higher than the ratio in 2018, the average transaction price of residential units for Jiangyin City in 2019 shows a significant increase of approximately 19.4% from 2018.

The Supply and Sales Records for Residential Units in Jiangyin City from 2011 to 2019

The Average Transaction Price for Residential Units in Jiangyin City from 2011 to 2019



(source：jy510.com)

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 and save except information disclosed at Note 30 in Appendix II of this document, 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.

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 the Group has the rights to occupy or to use their respective property. Our agreed procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the property from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal adviser to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the property.

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

The land registration system of China forbids us to search the original documents of the property that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the property in China. However, we have complied with the requirements as stated in the Listing Rules 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 were prepared by the Group's PRC legal adviser, Liaoning Gong Dan Law Offices on 7 December 2019. No responsibility or liability from our part is assumed in relation to those legal opinions.

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 its titles in the property. Should this not be the case, it will affect our findings and conclusions in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTY

The property was inspected by Mr Edward Ye (a graduate surveyor) on 9 July 2019 under the companion of the appointed personnel of the Group. 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 valuations. 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 parties in the property should conduct their own legal boundaries due diligence work.

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

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

SOURCES OF INFORMATION AND ITS VERIFICATION

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

We have relied solely on the information provided by the appointed personnel of the Group or the Instructing Party without further verification, and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, development schedule, 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 or the Instructing Party in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

The scope of our work has been determined by reference to the property list provided by the Instructing Party. All properties on the list has been included in our report. The Instructing Party has confirmed to us that the Company has no property interests 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 or the Instructing Party. Also, we have sought and received confirmation from the appointed personnel of the Group or the Instructing Party that no materials factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Group or the Instructing Party of material and latent facts that may affect our work.

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

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

OPINION OF VALUE

Based on the above information and assumptions, we are of the opinion that the Market Value of the property (100 per cent interests) as at the Valuation Date in its existing states and assuming free of all encumbrances was in the order of ***RENMINBI ELEVEN THOUSAND FORTY THREE MILLION AND EIGHT HUNDRED THOUSAND YUAN ONLY (RMB1,143,800,000).***

LIMITING CONDITIONS

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 inspection and the use of this report do not purport to be a building survey of the property.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this document to the Company's shareholders' reference.

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

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

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

STATEMENTS

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

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 *B.Sc. M.Sc. RPS(GP)*
Executive Director

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

*Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The 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 Hong Kong Institute of Surveyors ("**HKIS**").*

PROPERTY PARTICULARS

Property held for sale by the Group under long-term title certificates in the PRC

Property	Description	Particulars of occupancy
A portfolio of 513 various residential units and 71 various commercial units in a project known as Laoshan Bay Collection (藏品敔山灣) (Lot No. 025990080308 under Contract for the Grant of State-owned Construction Usage Land Use Rights) and located at the Eastern side of Changshan Road Southern side of Huanshan Road and Northern side of Huanhu Road Jiangyin City of Wuxi Jiangsu Province The PRC 214400 *(see Note 1 below)*	The property comprises a portfolio of 513 various residential units and 71 various commercial units, in the project. The property was completed in 2019 and having a total gross floor area ("**GFA**") of approximately 98,740.72 square meters ("**sq.m.**"): We were advised that the project comprises 4 phases of development with a total site area of 109,019 sq.m. and a total GFA of 298,120.44 sq.m. of which 176,017.78 sq.m. was allocated to high-rise residential , 9,239.04 sq.m. was allocated to commercial and 28,040.32 sq.m. was allocated to villa. Car parking spaces are provided in the project. Phases 1 to 3 were completed and units were sold to individual owners. Some of the sold units not yet delivered to the individual owners form part of the property. Phase 4 has a residual site area of 30,115 sq.m. As inspected, the main structures of the phase 4 of the project were completed but the infrastructure is under construction with the estimated completion time of March 2020. *(see Note 7 below)* We were advised that the property comprises the followings *(see Note 1 below)*:	As inspected by us and confirmed by the appointed personnel of the Group, as at the Valuation Date, the residential units and the commercial units of the property were completed and vacant.

Items	Number of Units	GFA (sq.m.)
Residential	513	90,212.76
Commercial	71	8,527.96
Total	**584**	**98,740.72**

The locality of the property is surrounded by various residential developments.

The property is subject to rights to use the land for residential purpose at a term of 70 years and for commercial purpose at a term of 40 years. *(see Note 2 below)*

Notes:

1. The property comprises a portfolio of 513 various residential units and 71 various commercial units (both unsold units and sold but not yet delivered units), the details are summarised below:

Property Type	Building Block No.	Year of Completion	Units	GFA for Pre-sold not Delivered Units	GFA for Unsold Units	Total GFA (sq.m.)
Residential	G1# – G3# (Phase II)	2014	178	28,674.33	1,074.63	29,748.96
Residential	G4# – G6# (Phase III)	2015	14	2,298.40	0	2,298.40
Residential	G7# – G8# (Phase IV)	See #	2	0	257.14	257.14
Residential	G9# – G10# (Phase IV)	See #	248	30,502.26	1,446.56	31,948.82
Villa	B1# – B10# (Phase I)	2012	71	16,728.25	9,231.19	25,959.44
		Sub-total:	**513**	**78,203.24**	**12,009.52**	**90,212.76**
Commercial	–	2014	71	997.71	7,530.25	8,527.96
		Sub-total:	**71**	**997.71**	**7,530.25**	**8,527.96**
# Applying for completion registration		**Grand Total:**	**584**	**79,200.95**	**19,539.77**	**94,740.72**

2. The right to possess the land is held by the State and the rights to use the land having a site area of 109,019 sq.m. has been granted to Wuxi Huize Real Estate Co., Ltd. (無錫惠澤置業有限公司) (hereinafter referred to as "Wuxi Huize"), via the following ways:

   (i) pursuant to a Contract for the Grant of State-owned Construction Usage Land Use Rights No. 3202812009CR0291 dated 19 October 2009, Wuxi Huize has been granted the land use rights of a land of 109,019 sq.m. for a term of 40 years for commercial purpose and a term of 70 years for residential purpose; and

   (ii) Phases 1 to 3 were previously subject to a State-owned Land Use Rights Certificate known as Cheng Tu Guo Yong (2010) Di 5349 Hao, and the said certificate was handed back to the relevant state-owned land governmental departments for allocation of land to individual flatted owners in their respective Realty Title Certificates.

   (iii) pursuant to a State-owned Land Use Rights Certificate known as Cheng Tu Guo Yong (2015) Di 20980 Hao (澄土國用(2015)第20980號) dated 18 September 2015 and issued by the Government of Jiangyin City (江陰市人民政府), Wuxi Huize was permitted to use a parcel of land with a site area of 30,115 sq.m. (the remaining land of 109,019 sq.m. and known as Phase 4 of the project) for a term until 24 October 2079 for residential purpose and a term until 24 October 2049 for commercial purpose.

3. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 320281201000124 Hao (地字第320281201000124號) dated 11 March 2010 and issued by the Municipal Planning Bureau of Jiangyin City (江陰市規劃局), Wuxi Huize was permitted to develop a parcel of land having a site area of approximately 109,019 sq.m. with a total gross floor area of 218,038 sq.m. for residential purpose.

4. Pursuant to 4 various Planning Permits for Construction Project (建設工程規劃許可證) issued by the Municipal Planning Bureau of Jiangyin City (江陰市規劃局), the project upon completion will have a total gross floor area of approximately 216,973.94 sq.m. The details are summarised below:

Certificate No.	Building Block No.	Gross Floor Area (sq.m.)	Issued Date
2011 377 Hao	G1# – G3# and Commercial Podium	65,758.56	9 November 2011
Jian Zi Di 320281201300173 Hao	G4# – G6#	38,551.41	25 June 2013
Jian Zi Di 320281201500110 Hao	G7# – G10# and Commercial Podium and Basement	84,422.14	22 October 2015
2010 348 Hao	B1# – B10#	28,241.83	29 September 2010
	Total:	**216,973.94**	

5. Purusant to various Permits to Commence Construction Project (建設工程施工許可證) issued by the Construction Bureau of Jiangyin City (江陰市建設局), Wuxi Huize was permitted to commence construction of the project. The details are summarised below:

Certificate No.	Building Block No.	Gross Floor Area (sq.m.)	Issued Date
320281020110128	G1# – G2#	43,549.45	30 November 2011
320281020110127	G3#	22,209.11	30 November 2011
320281020130256	G4# & G6#	38,355	23 August 2013
320281020130245	G5	16,610.23	30 July 2013
320281201512300101	G7# G8#	48,526.15	30 December 2015
320281201608310201	G9# G10#	35,892.67	31 August 2016
3202812010101400004A	B1 – B6	16,159.83	15 October 2010
3202812010101500001A	B7 – B10	12,082	15 October 2010
	Total:	**233,384.44**	

6. Pursuant to 5 Pre-sell Permits for Accommodation Units issued by the Housing and City Development Bureau of Jiangyin City, Wuxi Huize was permitted to sell the residential and commercial units having a total gross floor area of 213,303.42 sq.m., the details are summarised below:

Certificate No.	Property Type	Building Block No.	Pre-sell GFA (sq.m.)	Issued Date
(2012) Yu Xiao Zhun Zi Di 011 Hao (2012)預銷準字011號	Residential and Non-Residential	G1# – G3#	65,239.39	21 March 2012
(2013) Yu Xiao Zhun Zi Di 038 Hao (2013)預銷準字038號	Residential	G4# – G6#	38,290.25	16 September 2013
(2016) Yu Xiao Zhun Zi Di 019 Hao (2016)預銷準字019號	Residential and Non-Residential	G7# – G8#	47,514.88	27 September 2016
(2017) Yu Xiao Zhun Zi Di 033 Hao (2017)預銷準字033號	Residential and Non-Residential	G9# – G10#	34,212.30	12 December 2017
(2010) Yu Xiao Zhun Zi Di 083 Hao (2010)預銷準字083號	Residential	B1# – B10#	28,046.60	12 November 2010
		Total:	**213,303.42**	

7. According to the information provided by the Company, the further construction cost to be spent to complete the project is approximately 146 million, which was deducted in the valuation.

8. The valuation has referenced the following residential and commercial listing information:

Property Type	Listing Date	Location	Range of Unit Rate (RMB/sq.m.) on Gross Floor Area
Residential Apartments	2019 Q3 – Q4	Jiangyin City, Yunting (江陰雲亭)	10,800 to 13,200
Villas	2019 Q3 – Q4	Jiangyin City, Yunting (江陰雲亭)	16,100 to 26,600
Commercial	2019 Q3 – Q4	Jiangyin City, Yunting (江陰雲亭)	19,800 to 36,300

In valuing the unsold units in the Property, we have considered and analysed the apartment, commercial and villa sales comparables in the vicinity. These comparables are adopted as they are considered relevant to the property in the terms of physical and locational attributes. The ranges of unit rates of adopted comparables are shown in the table above. The unit rate adopted in the valuation are consistent with the unit rates of the relevant comparables after due adjustments in terms of different attributes, including location, time, building age and condition. The adopted unit rate of the property is ranging from RMB10,000 to RMB12,000 for residential apartment, RMB17,000 for villas and RMB21,000 to RMB28,000 for commercial unit on basis of gross floor area. The transaction unit rates of the pre-sold unit in the property from September 2019 to December 2019 is approximately RMB11,000 for residential apartments, and RMB17,000 for the villas . The comparables were selected based on their locations (same area as the Subject Property), property type and sizes.

In valuing the pre-sold units (but not delivered), we adopted the contracts prices in our valuation.

9. As advised, the property is subject to various mortgages in favour of Bank of Ningbo Co. Ltd. Wuxi Branch. The details are summarised below:

Mortgaged Property	Mortgage Term	Signing Date
55 Residential units with gross floor area of 9,796.27 sq.m.	From 3 June 2016 To 31 December 2019	11 January 2018
24 Residential units including basement with a total gross floor area of 20,099.78 sq.m.	From 1 June 2016 To 31 December 2019	14 July 2016
A parcel of Land known as Cheng Tu Guo Yong (2015) Di 20980 Hao (澄土國用(2015)第20980號) having a site area of 30,115 sq.m.	From 1 June 2016 To 31 December 2019	14 July 2016

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

a. Wuxi Huize has the legal right of the land use rights of the property;

b. Phase 4 land use rights of the property has been pledged (details see page 7 of this circular) and Wuxi Huize has no right to transfer, second mortgage or give of the land use rights of the property. In fact, the holding company of the Company has the right to transfer its equity interest, but this needs to inform the mortgagee; and

c. Wuxi Huize has the right to transfer, lease, pledge, use and give of the unsold units in Phases 1 to 4, except the total of 79 residential units being pledged mentioned in Note 9 above. Wuxi Huize has the right to transfer the pledged units subject to the approval of the mortgagee.

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 Group. 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 is no omission of other matters 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	102,482,197 (L)	Interest in controlled corporation *(Note 1)*	166.52%
	799,560 (L)	Beneficial owner	1.30%
	387,351 (L)	Share options *(Note 2)*	0.63%
Ms. Zhang Ye	274,050 (L)	Share options *(Note 3)*	0.45%
Mr. Zeng Hongbo	274,050 (L)	Share options *(Note 3)*	0.45%
	3,560 (L)	Beneficial owner	0.01%
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%

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

Notes:

1. Long positions in 102,482,197 Shares are held by CHG which was wholly owned by Huajun Group Limited (華君集團有限公司), a company incorporated in Hong Kong with limited liability, which in turn was 100% beneficially owned by Mr. Meng. Mr. Meng was deemed to be interested in all Shares held by CHG by virtue of SFO. Amongst interests in 102,482,197 Shares, interests in 58,031,578 Shares arising from issue of convertible bond under specific mandate including the proposed issue of convertible bond, which has not been issued and is subject to independent shareholders' approval, as announced by the Company on 22 January 2020.

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) Mr. Zeng Hongbo, who was Assistant Chief Executive 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.

Interests in shares in associated corporations

Associated corporation	Director	Capacity	Amount of issued share capital	Percentage interest in the capital of the associated corporation
Huajun Group Limited (華君集團有限公司) *(Note 6)*	Mr. Meng	Beneficial owner	HK$3,000,000,000	100%

Note:

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

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

4. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the registar of the Company required to be kept under section 336 of the SFO:

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 Le	103,669,108 (L)	Interest held by spouse *(Note)*	168.45%
CHG	102,482,197 (L)	Beneficial owner	166.52%
Huajun Group Limited (華君集團有限公司)	102,482,197 (L)	Interest of controlled corporation *(Note)*	166.52%
Mr. Meng	799,560 (L)	Beneficial owner	1.30%
	102,482,197 (L)	Interest of controlled corporation *(Note)*	166.52%
	387,351 (L)	Share Options	0.63%
Ouke Group Holdings Limited	4,559,326 (L)	Beneficial owner	7.41%

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

Note: 102,482,197 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. Interests in 58,031,578 Shares arising from issue of convertible bond under specific mandate including interests in 26,315,789 Shares arising from the proposed issue of convertible bond, which has not been issued and is subject to independent shareholders' approval, as announced by the Company on 22 January 2020. Madam Bao Le, being a spouse of Mr. Meng, was also deemed to be interested in the Shares held by Mr. Meng.

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 or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

6. 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.

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

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed above, 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.

8. LITIGATION

The Group has several outstanding legal proceedings with construction contractors, customers, suppliers, creditors 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 prosecution against the Group regarding the alleged breach of the cooperation agreement. The first hearing of the legal proceeding was held in March 2019 but no judgement has been released. The Group has sought legal advice in the PRC on the legal proceedings to assess the amount of provision required. The Directors consider a 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.

On 2 July 2019, Bank of Ningbo Co. Ltd. Wuxi Branch (寧波銀行股份有限公司無錫分行) ("**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 the Target Company and Baohua Properties, in which it was alleged that the Target Company 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 the Target Company. First hearing was held on 20 August 2019 but no judgement has been released.

On 21 July 2019, the Target Company and Baohua Properties 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 the Target Company and Baohua Properties exceeding the court order amount of RMB190,000,000, and causing economic losses for the Target Company and Baohua Properties. The Target Company and Baohua Properties 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. As at the date of this circular, the date for the hearing of the above claim has not yet been fixed. For further details, please refer to the inside information announcement of the Company dated 28 February 2020.

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.

9. EXPERTS AND CONSENTS

The qualification of the experts who have given opinions and advice in this circular are as follows:

Name	Qualification
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Independent property valuer

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

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

10. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

(a) the equity transfer agreement dated 6 March 2018 and entered into between Wuxi Real Estate Development Group Co., Ltd.* (無錫市房地產開發集團有限公司) ("**Wuxi Real Estate**"), a company established in the PRC with limited liability, as vendor, and Baohua Properties, as purchaser, in relation to the acquisition of the entire equity interests in Baohua Real Estate (Wuxi) Company Limited* (保華地產(無錫)有限公司) (formerly known as Wuxi Huiling Real Estate Co., Ltd.* (無錫惠靈置業有限公司)), a company established in the PRC with limited liability, for a consideration of RMB1,311.29 million;

(b) the equity transfer agreement dated 6 March 2018 and entered into between Wuxi Real Estate, as vendor and Baohua Properties, as purchaser in relation to the acquisition of the entire equity interests in Wuxi Huiyuan Real Estate Co., Ltd.* (無錫市惠遠置業有限公司), a company established in the PRC with limited liability, for a consideration of RMB291.95 million;

(c) the equity transfer agreement dated 6 March 2018 and entered into between Wuxi Real Estate and Wuxi City Investment and Development Co., Ltd* (無錫市城市投資發展有限公司), a company established in the PRC with limited liability, as vendors and Baohua Properties, as purchaser, in relation to the acquisition of 55% equity interests in Baohua Real Estate (Jiangyin) Company Limited* (保華地產(江陰)有限公司) (formerly known as Wuxi Huize Real Estate Co., Ltd.* (無錫惠澤置業有限公司)), a company established in the PRC with limited liability, for a consideration of RMB280.50 million;

(d) the equity transfer agreement dated 29 March 2018 entered into among Baohua Properties, Yingkou Xiang Feng Properties Limited* (營口翔峰置業有限公司), both are companies established in the PRC with limited liability and indirect wholly-owned subsidiaries of the Company, as vendors, and Yingkou City Wan Hong Construction Company Limited* (營口市萬泓建築工程有限公司), a company established in the PRC with limited liability, as purchaser, in relation to the disposal of 100% interests in Yingkou Kunlun Real Estate Company Limited* (營口昆侖房地產有限公司), a company established in the PRC with limited liability, for a consideration of RMB240 million;

(e) the equity transfer agreement dated 17 May 2018 entered into between New Island Printing (Liaoning) Company Limited, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as the purchaser and Huajun Property Limited (華君置業有限公司) (formerly known as Huajun Enterprise (Yingkou) Company Limited* (華君實業(營口)有限公司)), a company established in the PRC with limited liability and ultimately owned as to 97% by Mr. Meng and 3% by Madam Bao Le, as the vendor, in relation to the acquisition of 100% equity interests in Yingkou Yi Hua Green Packaging Printing Company Limited* (營口益華綠色包裝印務有限公司), a company established in the PRC with limited liability for a consideration of RMB30 million;

(f) the equity transfer agreement dated 16 July 2018 entered into among Feng Xingbo* (豐興波) and Zhao Shifu* (趙士福), citizens and businessmen in the PRC, who are Independent Third Parties, as the vendors, and Baohua Properties, as the purchaser, in relation to the acquisition of the entire equity interest of Yingkou Economic Technology Development Zone Shangfang Real Estate Limited* (營口經濟技術開發區上方房地產有限公司), a company established in the PRC with limited liability at the consideration of RMB135 million (subject to adjustment);

(g) the equity transfer agreement dated 27 July 2018 entered into between Yingkou Jinlun Science And Technology Development Limited* (營口金綸科技發展有限公司), a company established in the PRC with limited liability, as the vendor, and Huajun Power (China) Group Limited* (華君電力(中國)集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company, as the purchaser, in relation to the acquisition of the entire equity interest in Yingkou Yuzhu Science And Technology Development Limited* (營口玉珠科技發展有限公司), a company established in the PRC with limited liability, at the consideration of RMB1.00;

(h) the acquisition agreement dated 3 August 2018 entered into between Huajun Energy Co., Ltd.* (華君能源有限公司), a company established in the PRC with limited liability and the indirect wholly-owned subsidiary of the Company, as the purchaser and Yingkou Coastal Development Construction Group Co., Ltd.* (營口沿海開發建設集團有限公司), a company established in the PRC with limited liability, as vendor, in relation to the acquisition of the land use rights of the land parcel situated at the land lot No.D2-51, Yingkou City, Liaoning Province, the PRC with total site area of approximately 1,061,349 sq.m., at the consideration of RMB84,907,960;

(i) 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 Dong Yin Building (東銀大廈) 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);

(j) 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;

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

(l) the asset transfer agreement dated 16 October 2018 entered into between Jiangsu Xietong Solar Technology Co., Ltd.* (江蘇協通光伏科技有限公司) as vendor and Huajun Power Jiangsu as purchaser, pursuant to which the vendor has conditionally agreed to sale, and Huajun Power Jiangsu has conditionally agreed to purchase certain assets owned by the vendor as listed in the said asset transfer agreement at the consideration of RMB465.89 million (which has been terminated on 28 November 2018);

(m) the subscription agreement dated 26 October 2018 entered into by the Company and CHG in respect of the subscription of convertible bond in the principal amount of HK$1 billion;

(n) 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, 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);

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

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

(q) the agreement dated 19 February 2019 entered into between Ms. Yu Jing (于晶), as vendor and Baohua Properties, as purchaser, pursuant to which the vendor has conditionally agreed to sell, and Baohua Properties 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 million (which has been lapsed on 1 July 2019);

(r) 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;

(s) 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**");

(t) the assets transfer agreement dated 15 May 2019, as supplemented and amended by supplemental agreement dated 6 June 2018, 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;

(u) 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;

(v) 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;

(w) the subscription agreement dated 16 August 2019 entered into by the Company and CHG 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);

(x) 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 Planing 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; and

(y) 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.

11. GENERAL

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

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, 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.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

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

(b) the annual reports of the Company for the three financial years ended 31 March 2016, 31 March 2017 and 31 March 2018, nine months ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;

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

(d) the accountants' report of the Target Company prepared by ZHONGHUI ANDA CPA Limited, the text of which is set out in Appendix II of this circular;

(e) the report on the unaudited pro forma financial information of the Group prepared by ZHONGHUI ANDA CPA Limited, the text of which is set out in Appendix IV of this circular;

(f) the property valuation report on the properties held by the Target Company prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix V of this circular;

(g) the circulars of the Company dated 25 January 2019, 31 January 2019 and 21 June 2019;

(h) the written consent referred to in the section headed "Experts and Consents" in Appendix VI;

(i) the Acquisition Agreement; and

(j) this circular.

* *For identification purposes only*

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the "**Meeting**") of Huajun International Group Limited (the "**Company**") will be held at Conference Room, 36/F., Champion Tower, 3 Garden Road, Central, Hong Kong on Monday, 20 April 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, pass with or without modification, the following resolution as ordinary resolution.

Unless otherwise specified, capitalised terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 26 March 2020.

ORDINARY RESOLUTION

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

   "**THAT**

   (a) the Acquisition Agreement for the sale and purchase of the Target Equity Interest and the Debt of the Target Company (a copy of which has been produced to the Meeting marked "A" and initialed by the chairman of the Meeting for identification purpose) dated 23 May 2019 and entered into between the Purchaser and the Vendor at the consideration of RMB154,191,453.05, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) 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/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matter relating to, or incidental to, the Acquisition Agreement and the transaction contemplated thereunder."

By Order of the Board
Huajun International Group Limited
MENG Guang Bao
Chairman and Executive Director

Hong Kong, 26 March 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, 15 April 2020 to Monday, 20 April 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 Friday, 17 April 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, 14 April 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 special general meeting will be conducted by way of poll.

As at the date of this notice, the Board comprises Mr. Meng Guang Bao, Ms. Zhang Ye, Mr. Zeng Hongbo and Ms. Huang Xiumei as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.