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

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

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HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

**CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

**Independent financial adviser to
the Independent Board Committee and the Independent Shareholders**



INCU Corporate Finance Limited

A notice convening the special general meeting of the Company (the “SGM”) to be held at 3:00 p.m. on Wednesday, 30 March 2016 at Conference Room, 36/F, Citibank Tower, 3 Garden Road, Central, Hong Kong is set out on pages IV-1 to IV-2 of this circular.

Whether or not you are able to attend and vote at the SGM in person, you are requested to read the notice and to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Hong Kong branch share registrar, Union Registrars Limited, at A18th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than forty-eight (48) hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

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DEFINITIONS

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

“A Shares”	ordinary share(s) of RMB1.00 each in the share capital of Hareon Solar Technology Co., Ltd.
““A Shares” Subscription”	the possible subscription of “A Shares” in Hareon Solar Technology Co., Ltd. as disclosed on 18 January 2016 by the Company
“Announcements”	the announcements of the Company dated 20 January 2016 and 9 March 2016 respectively relating to the Subscription
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bondholder(s)”	the holder of the Convertible Bonds
“Business Days”	means a day on which licensed banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“closing price”	closing price per Share for any trading day as published by the Stock Exchange
“Company”	Huajun Holdings Limited (Stock Code: 377), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Conditions”	the conditions precedent of the completion of the Subscription, details of which are set out in the paragraph headed “Conditions precedent of the Subscription” in the Letter of the Board in of this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Consideration Shares”	400,000,000 new Shares to be allotted and issued to Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司) at HK\$1.50 per Share for the settlement of the part consideration of the CT Acquisition; and “Consideration Share” means any one of them
“Conversion Price”	the conversion price of HK\$1.00 per Conversion Share
“Conversion Shares”	the 1,330,000,000 new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds by the Bondholders(s)
“Convertible Bonds”	convertible bonds of a principal amount of HK\$1,330,000,000, subject to the Shareholders’ approval, to be issued by the Company, in the denomination and integral amounts of HK\$20,000,000, pursuant to the Subscription Agreement, as supplemented and amended by the Supplemental Agreement. The details of the Convertible Bonds are stated in the section headed “Issue of Convertible Bonds” of Letter from the Board in this circular
“CT Acquisition”	the acquisition of the entire equity interest in Liaoning Bao Hua Properties Development Co., Ltd.* (遼寧保華房地產開發有限公司), pursuant to the terms and conditions of the sale and purchase agreement entered into between Dalian Hydraulic Machinery Co., Ltd.* (大連液力機械有限公司) and B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司) on 7 October 2015. For details, please refer to the circular of the Company dated 1 February 2016
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 80% of the equity interests in Yingkou Wanhe Industrial Company Limited* (營口萬合實業有限公司) as contemplated under the sale and purchase agreement entered into between B&H Properties Management (China) Limited (保華置業管理(中國)有限公司), as a vendor, to Zhou Hailin (周海林) and Zhou Guoqing (周國慶), as purchasers, on 19 January 2016. For details of the Disposal, please refer to the announcement of the Company dated 19 January 2016

DEFINITIONS

“Group”	the Company and its subsidiaries
“HHGL”	Hua Jun Holding Group Co. Ltd* (華君控股集團有限公司), a limited liabilities company incorporated in the PRC, directly held by Mr. Meng and Madam Bao Le (“ Madam Bao ”), being spouse of Mr. Meng, as to 97.5% and 2.5%
“HIL”	Huajun International Limited, a company incorporated in the British Virgin Islands, a substantial shareholder of the Company, which was wholly-owned by Huajun Holdings Group Limited, as of the Latest Practicable Date. Huajun Holdings Group Limited is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng is the sole director of Huajun International Limited. Mr. Meng is chairman of the Board and an executive Director
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Subscription
“INCU” or “Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activities, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than HIL, Mr. Meng and his associates and other Shareholders who are interested or involved in the Convertible Bonds, and are required to abstain from voting on the resolutions to approve, among other things, the Subscription and the transactions contemplated thereunder including the Proposed Issue and the grant of Specific Mandate to allot and issue the Conversion Shares at the SGM

DEFINITIONS

“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) (as defined in the Listing Rules) of the Company
“Last Trading Day”	20 January 2016, being the last trading day immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	8 March 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this circular
“Listing Committee”	has the same meaning ascribed thereto in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU Acquisition”	The proposed acquisition under the memorandum of understanding disclosed by the Company on 10 December 2015
“Mr. Guo”	Mr. Guo Song (郭頌), the deputy chief executive officer and an executive Director of the Company
“Mr. Meng”	Mr. Meng Guang Bao (孟廣寶), the chairman, an executive Director and a substantial shareholder of the Company
“Mr. Wu”	Mr. Wu Jiwei (吳繼偉), the chief executive officer and an executive Director of the Company
“Placing”	placing of Placing Shares
“Placing Shares”	2,180,000,000 new Shares to be placed by the Company to certain placees under the specific mandate as disclosed by the Company in an announcement dated 18 January 2016, subject to approval by the Shareholders

DEFINITIONS

“PRC”	the People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Issue”	the proposed issue of the Convertible Bonds
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company, to be convened and held to consider and approve, among other things, the Subscription Agreement, the issue of the Convertible Bonds and the grant of the Specific Mandate
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the SGM to (i) issue the Convertible Bonds and (ii) allot and issue the new Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	HIL, being the subscriber to subscribe the Convertible Bonds under the Subscription Agreement, as supplemented and amended by the Supplemental Agreement
“Subscription”	the subscription for the Convertible Bonds by HIL pursuant to the Subscription Agreement, as supplemented and amended by the Supplemental Agreement
“Subscription Agreement”	the conditional subscription agreement (as supplemented and amended by the Supplemental Agreement) dated 20 January 2016 and entered into between the Company and HIL in respect of the Subscription

DEFINITIONS

“Supplemental Agreement”	the supplemental agreement dated 9 March 2016 and entered into between the Company and HIL for the purpose of supplementing and amending the Subscription Agreement
“Takeovers Code”	The Code on Takeovers and Mergers
“%”	per cent.
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States Dollar, the lawful currency of the United States

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

For the purposes of illustration only, any amount denominated in RMB and US\$ in this circular was translated into HK\$ at the rate of RMB1 = HK\$1.18 and the rate of US\$1 = HK\$7.78 respectively. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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



HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

Executive Directors:

Mr. Meng Guang Bao (*Chairman*)
Mr. Wu Jiwei (*Chief Executive Officer*)
Mr. Guo Song (*Deputy Chief Executive Officer*)

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, Citibank Tower,
Citibank Plaza,
3 Garden Road,
Central,
Hong Kong

11 March 2016

To the Shareholders and for information only,

Dear Sir/Madam,

**CONNECTED TRANSACTION
ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

References are made to the Announcements in relation to issue of Convertible Bonds under Specific Mandate which constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Board proposes to seek the approval of the Independent Shareholders for the issue of Convertible Bonds under Specific Mandate.

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

- (a) details of the issue of Convertible Bonds under Specific Mandate;

* *For identification purposes only*

LETTER FROM THE BOARD

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

1. ISSUE OF CONVERTIBLE BONDS

Subscription Agreement

On 20 January 2016 (after trading hours), the Company entered into the Subscription Agreement with HIL, a substantial shareholder of the Company, pursuant to which the Company has agreed to issue and HIL has agreed to subscribe the Convertible Bonds in the principal amount of HK\$1,330,000,000.

Date : 20 January 2016 (after trading hours)

Parties : Issuer: the Company

Subscriber: HIL

As at the Latest Practicable Date, HIL holds 2,250,082,214 Shares, representing approximately 57.12% of the total issued share capital of the Company, and is ultimately wholly and beneficially owned by Mr. Meng and his spouse, Madam Bao. Mr. Meng is the chairman, an executive Director and a substantial shareholder of the Company. Accordingly, HIL is a connected person of the Company under the Listing Rules. Therefore the Proposed Issue constitutes a connected transaction of the Company subject to Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM.

Pursuant to the Subscription Agreement, the Company conditionally agreed to issue and HIL conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$1,330,000,000.00.

The Convertible Bonds carry the right to convert into Conversion Shares at the Conversion Price of HK\$1.00 per Conversion Share (subject to adjustment). Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price of HK\$1.00 per Conversion Share, 1,330,000,000 new Shares, being the Conversion Shares, will be issued to the Bondholder. The Conversion Shares represent approximately 33.76% of the issued capital of the Company as at the Latest Practicable Date and approximately 17.85% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares and the Conversion Shares, assuming (i) all the Placing Shares have been subscribed and issued; (ii) all the Conversion Shares have been converted and issued; and (iii) there is no other change in the number of the issued Shares. The details of the shareholdings are set out in the paragraph headed "EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY" below.

LETTER FROM THE BOARD

Conditions precedent of the Subscription

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

- (a) the granting of the listing of and permission to deal in the Conversion Shares by the Listing Committee of the Stock Exchange; and
- (b) the passing of the necessary resolution(s) to approve the issue of the Convertible Bonds and the transactions contemplated under the Subscription Agreement (including the obtaining of a specific mandate to allot and issue the Conversion Shares falling to be issued on the exercise of the Conversion Rights attached to the Convertible Bonds) by the Independent Shareholders at SGM by way of poll.

The Conditions are not waivable. If any of the Conditions cannot be fulfilled on or before 30 April 2016 or such other time as agreed between the Company and HIL, the Subscription Agreement will lapse and the parties thereto shall be released from all obligations thereunder, save for the liabilities for any antecedent breaches.

Completion of Subscription

Completion of the Subscription Agreement shall take place on any Business Day within 30 Business Days after the date of the fulfillment of all of the Conditions. The consideration for the Convertible Bonds shall be payable by HIL to the Company upon the completion of the Subscription.

Principal Terms of the Convertible Bonds

The principal terms of the Convertible Bonds are arrived at after arm's length negotiations between the Company and HIL and are summarised as follows:

- Principal amount : a principal amount of HK\$1,330,000,000.
- Maturity Date : the date falling on the expiry of a three years' period which shall be commencing from the date of issue of the Convertible Bonds.

LETTER FROM THE BOARD

- Conversion Price : HK\$1.00 per Conversion Share (subject to adjustment).
- Interests : 3.5% per annum payable half-yearly, for each anniversary year of issue, in arrears.
- Conversion period : the period commencing from the date of issue of the Convertible Bonds and ending on the date which falls on the Business Day immediately before the Maturity Date, both dates inclusive.
- Conversion Restriction : No conversion shall be made by the Bondholder if such conversion shall trigger off a mandatory offer under Rule 26 of the Takeovers Code on the part of the Bondholder who exercise the conversion right or shall cause the public float of the Company unable to meet the requirement under the Listing Rules.
- Conversion Rights : the Bondholder shall have the right, exercisable during the Conversion Period, to convert the whole or any part (in multiples of HK\$20,000,000) of the outstanding principal amount of the Convertible Bonds held by such Bondholder into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.
- No fraction of a Conversion Share shall be issued on conversion of the Convertible Bonds.
- Ranking : The Shares converted upon exercise of the Conversion Rights shall rank *pari passu* in all respects with all other existing Shares at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.
- Transferability : None of the Convertible Bonds (nor any part of the Convertible Bonds) can be transferred without the prior written consent of the Company.

LETTER FROM THE BOARD

Subject to the abovementioned, any transfer of the Convertible Bonds shall be in respect of the whole or any part (in an amount not less than HK\$20,000,000 or such other amount to be agreed by the Company) of the outstanding principal amount of the Convertible Bonds.

Adjustment of the Conversion Price : The Conversion Price shall from time to time be adjusted upon the occurrence of the followings:

- (i) consolidation and subdivision; or

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

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

where

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

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

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

LETTER FROM THE BOARD

- (ii) capitalisation of profits or reserves.

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

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

where

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

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

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

- Listing : No application will be made by the Company for listing of the Convertible Bonds. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.
- Redemption : Unless previously redeemed, converted, purchased or cancelled, the Company will on the Maturity Date, redeem the Convertible Bonds at 100% of its principal amount.

LETTER FROM THE BOARD

The Company have the right, at its option, to redeem the whole or any part (in multiples of HK\$20,000,000) of the outstanding principal amount of the Convertible Bonds before the Maturity Date by giving notice to the Bondholder in respect of part or all of the Convertible Bonds held by the Bondholder.

- Event of default : If any event of default set out in the terms and conditions of the Convertible Bonds occurs, the Bondholder may give notice to the Company that the Convertible Bonds together with the interest accrued thereon will become immediately due and repayable.
- Voting rights : Other than meetings of the Bondholder, the Bondholder will not have any right to attend or vote at any meeting of the Company by virtue of them being the Bondholder, and until and unless it has converted all or part of its Convertible Bonds into Shares entitling holders to attend or vote at the meetings of the Shareholders.

Interest Rate

The interest rate of the Convertible Bonds at the 3.5% per annum is lower than the interest rates of the existing borrowings of the Group in the PRC. Re-financing the existing borrowings of the Group with the proceeds obtained from the Subscription will enhance the overall cash position of the Group. Therefore, the Board is of the view that the interest rate of the Convertible Bonds at 3.5% per annum is fair and reasonable.

Transferability

Where any Convertible Bonds is intended to be transferable, a prior written consent will have to be obtained from the Company. As at the Latest Practicable Date, the Company considers that it will not give any consent to the transfer unless the Bondholder confirms that (i) the transferee is not a connected person of the Company; and (ii) such transfer shall comply with the requirements under the Listing Rules and/or requirements imposed by the Stock Exchange (if any).

LETTER FROM THE BOARD

Ranking of the Convertible Bonds

The Convertible Bonds constitute general and unsecured obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Company.

Conversion Price:

The Conversion Price of HK\$1.00 per Conversion Share, representing:

- (a) a premium of approximately 12.36% over the closing price of HK\$0.890 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 11.11% over the average closing price of HK\$0.900 per Share as quoted on the Stock Exchange for the last five trading days immediately to and including the Last Trading Day; and
- (c) a premium of approximately 8.46% over the average closing price of HK\$0.922 per Share as quoted on the Stock Exchange for the last ten trading days immediately to and including the Last Trading Day.
- (d) a premium of approximately 23.46% to the closing price of HK\$0.810 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Latest Practicable Date;
- (e) a premium of approximately 149.38% over the Company's net asset value attributable to the shareholders of the Company of HK\$0.401 per Share as at 31 March 2015; and
- (f) a premium of approximately 213.48% over the Company's net asset value attributable to the shareholders of the Company of HK\$0.319 per Share as at 30 September 2015.

LETTER FROM THE BOARD

Below please see the summary in relation to the closing prices of the Shares between 19 February 2016 and 25 February 2016 as follows:

Trading date	Closing price per Share	Conversion Price of HK\$1.00 per Conversion Share, representing:	
19 February 2016	0.99	Premium	1.01%
22 February 2016	0.90	Premium	11.11%
23 February 2016	0.87	Premium	14.94%
24 February 2016	0.87	Premium	14.94%
25 February 2016	0.86	Premium	16.28%

In view of the above, the Conversion Price of HK\$1.00 per Conversion Shares does not represent any discount towards the latest closing prices per Share of the Company.

The Conversion Price was arrived at after arm's length negotiations between the Company and HIL with reference to the prevailing market prices of the Shares at the date of Subscription Agreement as shown above (a) to (c), instead of the prevailing market prices of Shares after the date of Subscription Agreement. Therefore, in view of the above, the Directors (including the independent non-executive Directors who have considered the advice of the Independent Financial Advisor) consider that the Conversion Price and the terms and conditions of the Subscription Agreement, as supplemented and amended by the Supplemental Agreement, are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

Notes:

1. 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng and Madam Bao Le, being spouse of Mr. Meng, held 97.5% and 2.5% respectively in HHGL. Mr. Meng was deemed to be interested in all Shares held by HIL by virtue of the SFO. Madam Bao Le, being spouse of Mr. Meng, was also deemed to be interested in the Shares held by HIL.
2. 133,264,500 Shares are beneficially owned by Forest Tree Limited, which in turn is wholly-owned by Mr. Wu Jiwei, an executive Director.

As illustrated by the table above, the shareholding interests of the existing public Shareholders in the Company will be diluted from approximately 37.96% as at the Latest Practicable Date to (i) approximately 28.38% immediately after the completion of the Subscription and issuance of Conversion Shares but prior to the completion of the Placing; and (ii) approximately 26.38% immediately after the respective completions of the Acquisition and Subscription and issuance of Consideration Shares and Conversion Shares but prior to the completion of the Placing.

If the completion of the Placing takes place and all Placing Shares are subscribed and issued, the shareholding interests of the public Shareholders (including the places of the Placing) will be increased from approximately 37.96% as at the Latest Practicable Date to (i) 60.07%, assuming no conversion rights attaching to the Convertible Bonds has been exercised; and (ii) 46.82%, assuming the completions of the Acquisition and Subscription have also been taken place and the Consideration Shares and Conversion Shares have been issued.

3. MANDATE TO ISSUE THE CONVERSION SHARES

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

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

4. REASONS FOR THE SUBSCRIPTION AND USE OF NET PROCEEDS

The principal business activity of the Company is investment holding. The Group is principally engaged in the businesses of (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products; (ii) provision of finance; (iii) securities investments; (iv) property development and investments; (v) financial leasing; (vi) trading and logistics; (vii) medical management; and (viii) industrial equipment.

HIL is an investment holding company and is a connected person of the Company under the Listing Rules as mentioned above in this Letter.

LETTER FROM THE BOARD

In view of the conditions of the current market, the Directors considered that the Subscription represents an ideal opportunity for the Company to raise additional capital and fund for strengthening the Group's capital base and financial position for business development without immediately diluted the shareholding interest of the existing Shareholders at a reasonable cost.

The Directors have also considered other financing methods such as debt financing in order to meet its financing requirement arising from the development of the Group. However, the use of debt financing (i) may create additional interest burden to the Group, which will affect the Group's performance; (ii) may subject to, including but not limited to lengthy due diligence due to investigation on pledge asset and negotiations with the banks with regards to the Group's financial position, capital structure and the then prevailing stock market condition; (iii) and may involve further provision of security, the Directors consider that debt financing is rather uncertain and time consuming as compared to equity financing for the Group to raise additional capital for its future investments and/or business development.

With respect to the other forms of pro rata equity financing method such as rights issue and open offer, the Directors consider that such pro rata equity financing would incur substantial costs in form of underwriting commission. Although both rights issue and open offer may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising alternatives would be relatively time consuming as compared to the equity financing. There would be no certainty that the Company would be able to procure favourable terms in such commercial underwriting and the success of such form of fund raising activity is highly depends on market sentiment.

Moreover, substantial costs, including the underwriting commission, documentation preparation cost and professional fee, may be incurred by conducting pro rata equity financing.

In light of the above, the Directors considers that the Subscription is a feasible fund raising alternative currently available to the Company and is in the interests of the Company and the Independent Shareholders as a whole.

The Group requires fund to reduce the existing indebtedness and strengthen the working capital of the Group. The Subscription will enhance the cash position of the Company so that the Company can re-finance its existing borrowings with better interest rate than the interest rates of the Group's existing borrowings in the PRC because it allows the Company to capitalise on a lower interest rate and thus a smaller interest payment. Further, refinancing the existing debts of the Group can convert the existing short-term loans into longer-term debt under the Convertible Bonds, which helps the Group improve its cash flow and provides more available working capital. In addition, paying off the existing creditors will enhance the reputation of the business and helps establish solid relationships with the business partners of the Group.

If the Convertible Bonds are successfully subscribed, the Company will be able to raise approximately HK\$1,330,000,000 gross proceeds. The net proceeds (after deducting the fees and expenses involved in the Subscription) will be approximately HK\$1,329,500,000.

LETTER FROM THE BOARD

As disclosed in the Announcement, the Group originally intended to apply the aforesaid net proceeds for the settlement of part of consideration of the “A Shares” Subscription, repayment of borrowings and the general working capital of the Group. After considering the benefit to reduce the existing indebtedness and to improve the financial position of the Group, if the Convertible Bonds are successfully subscribed, the Group intends to change the use of the said net proceeds for repayment of borrowings and the general working capital of the Group and will apply the aforesaid net proceeds as follows:

1. Approximately HK\$1,200,000,000 for repayment of the Group’s existing borrowings; and
2. Approximately HK\$129,500,000 for general working capital of the Group.

Apart from the Subscription, the Company also intended to conduct the following:

- (a) Placing to raise HK\$1,602 million in cash; and
- (b) Disposal to realise approximately HK\$566.0 million in cash.

For details of the Placing and the Disposal, please refer to the announcements of the Company dated 18 January 2016 and 19 January 2016 respectively.

The detail breakdown of intended uses of proceeds and for the Subscription, the Placing and the Disposal is as follows:

Use of proceeds	Amount to be used <i>(in HK\$ million)</i>		
	Subscription	Placing	Disposal
(i) MOU Acquisition (as announced by the Company on 10 December 2016)	–	354	–
(ii) Repayment of indebtedness	1,200 <i>(Note (a))</i>	1,089.8	–
(iii) General working capital	129.5 <i>(Note (b))</i>	158.0	566.0
Total:	<u>1,329.5</u>	<u>1,601.8</u>	<u>566.0</u>

LETTER FROM THE BOARD

Notes:

- (a) As at the Latest Practicable Date, the Company intends to apply the net proceeds of HK\$1,200 million from the Subscription, on the repayment of the following outstanding loans of the Group:

	HK\$ million	Date of maturity	Range of interest rate
Loans A, B, C, and D	736.7	April 2016	6.60%-10.70%
Loan E	463.3	June 2016	10.60%
	1,200.0		

Subject to the completion of the Subscription, the Company intends to make the repayment of the said loan(s) on or before the respective dates of maturity.

- (b) As at the Latest Practicable Date, the Group anticipates that it requires about HK\$50 million monthly as general working capital, which its breakdown is as follows:
- (i) Operating expenses: approximately HK\$26 million
 - (ii) Selling and marketing expenses: approximately HK\$8 million
 - (iii) Finance costs: approximately HK\$13 million
 - (iv) Sundry expenses: approximately HK\$3 million

Subject to the completion of the Subscription, the Company planned to apply the sum of HK\$129.5 million, being part of net proceeds from the Subscription, for payment of operating expenses, selling and marketing expenses, finance costs and sundry expenses in the following time manner:

- (i) approximately HK\$50 million for the first month;
- (ii) approximately HK\$50 million for the second month; and
- (iii) approximately HK\$29.5 million for part of the third month.

As disclosed above, the use of the net proceeds from the Subscription is different from the respective uses of net proceeds from the Placing and Disposal. The Company considers the Subscription is necessary because:

- (i) as disclosed in the announcement in relation to the Placing, the placing agent only agreed to place up to all of the Placing Shares on a best effort basis, it is uncertain as to whether all of the Placing Shares will be successfully placed and hence whether the net proceeds of HK\$1,601.8 million can be obtained by the Company.
- (ii) even if the Placing is completed, the relevant portion of net proceeds from the Subscription and the Placing to be applied for general working capital will only meet about six months general working capital requirement of the Company. Otherwise, the Company may require obtaining other external financing which may increase the Group's gearing ratio.
- (iii) the interest rate for lending in the market may be raised in light of the market conditions.

LETTER FROM THE BOARD

5. FUND RAISING ACTIVITY DURING THE PAST 12 MONTHS FROM THE LATEST PRACTICABLE DATE

The Company has conducted the following fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Approximate Net proceeds	Intended use of net proceeds as stated in the announcement and/or circular	Actual use of Proceeds/Remark
10 February 2015	Subscription of 533,058,000 new Shares under general mandate of the Company	HK\$373 million	To finance the Finance Lease Arrangement as disclosed in the announcements of the Company dated 4 February 2015 and 9 February 2015.	All used as intended for settlement of the consideration for the finance lease by 3 March 2015.
13 February 2015, 16 February 2015 and 31 March 2015	Issue of convertible bonds of an aggregate principal amount of HK\$500 million	HK\$499.7 million	(i) Approximately HK\$124.5 million to repay part of the existing indebtedness of the Group, provide capital support to the Company to accomplish its strategic development objectives, help the Company to optimize financial structure, strengthen solvency and operation capability, underpin the continued business growth and consolidate the market position of the Company.	Used as intended with approximately HK\$46.1 million used in securities investments, approximately HK\$75.0 million used in settlement of part of the consideration for acquisition of Heqing County Sengong Forestry Development Co., Ltd.* (鶴慶縣森工林業有限公司), Ninglang Boyu Forestry Development Co., Ltd.* (寧浪博宇林業開發有限公司) and Yangbi Yunsen Forestry Development Co., Ltd.* (漾漣雲森林業開發有限公司) and approximately HK\$3.4 million used in expanding the Group's trading business in the PRC in July 2015.
			(ii) Approximately HK\$74.7 million for finance investment or development of businesses of the Company to acquire Dalian Lugang Logistics Company Limited* (大連陸港物流基地有限公司).	All used as intended for settlement of the acquisition consideration by 18 August 2015.

LETTER FROM THE BOARD

Date of announcement	Event	Approximate Net proceeds	Intended use of net proceeds as stated in the announcement and/or circular	Actual use of Proceeds/Remark
			(iii) Approximately HK\$236.6 million for acquisition of Zhejiang Linhai Machinery Company Limited* (浙江臨海機械有限公司).	All used as intended for settlement of the acquisition consideration by 3 August 2015.
			(iv) Approximately HK\$63.9 million for general working capital purposes.	Used as intended with approximately HK\$61.5 million used for working capital of the Group's trading business and approximately HK\$2.4 million used for payment of interest on bank borrowings in June and July 2015.
18 January 2016	Subscription of the Placing Shares under specific mandate of the Company	approximately HK\$1,601.8 million	to settle part of consideration of the MOU Acquisition, repayment of borrowings and general working capital of the Group.	Not yet received.

Apart from the above capital raising activities, the Company did not conduct any other fundraising on issue of equity securities in the last 12 months immediately preceding the Latest Practicable Date.

6. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, HIL, is a substantial shareholder of the Company, holds 2,250,082,214 Shares, representing approximately 57.13% of the total issued share capital of the Company, and is wholly and beneficially owned by Mr. Meng and his spouse, Madam Bao. Mr. Meng is the chairman, an executive Director and a substantial shareholder of the Company. Accordingly, HIL is a connected person of the Company under the Listing Rules. Therefore, the Proposed Issue constitutes a connected transaction of the Company and is subject to Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. HIL, Mr. Meng and his associates shall abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Subscription and the transactions contemplated thereunder including the Proposed Issue and the grant of Specific Mandate to allot and issue the Conversion Shares. Mr. Meng has abstained from voting on the resolutions passed by the Board to approve the Subscription and the transactions contemplated thereunder including the Proposed Issue and the grant of Specific Mandate to allot and issue the Conversion Shares. To the best of the Directors' information, belief and knowledge, save for HIL, Mr. Meng and his associates, no other parties have any material interest which will be required to abstain from voting on the

LETTER FROM THE BOARD

resolutions to approve the Subscription and the transactions contemplated thereunder including the Proposed Issue and the grant of Specific Mandate to allot and issue the Conversion Shares.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the terms of the Proposed Issue are fair and reasonable and whether the Proposed Issue and the grant of the Specific Mandate are in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be convened for the Shareholders to consider and, if thought fit, to approve the Subscription and the transactions contemplated thereunder including the Proposed Issue and the grant of Specific Mandate to allot and issue the Conversion Shares.

RECOMMENDATION

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

SGM

A SGM will be convened will be held on Wednesday, 30 March 2016 at 3:00 p.m. at Conference Room, 36/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong, during which resolution will be proposed to the Independent Shareholders to consider and, if thought fit, approve, among other matters, the Subscription and the transactions contemplated thereunder including the Proposed Issue and the grant of Specific Mandate to allot and issue the Conversion Shares.

LETTER FROM THE BOARD

The notice of the SGM is set out in the Appendix IV of this circular. A form of proxy for use at the SGM is enclosed. Whether or not the Shareholders are able to attend the SGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should the Shareholders so wish.

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

ADDITIONAL INFORMATION

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

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

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

By Order of the Board

Wu Jiwei

Chief Executive Officer and Executive Director



HUAJUN HOLDINGS LIMITED

華君控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 377)

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

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

11 March 2016

To the Independent Shareholders

Dear Sir or Madam,

THE SUBSCRIPTION AGREEMENT

We refer to the circular dated 11 March 2016 of the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Subscription and the transactions contemplated thereunder including the Proposed Issue and the grant of the Specific Mandate, and to advise the Independent Shareholders as to whether the terms of Subscription and the transactions contemplated thereunder, including the Proposed Issue and the grant of the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned.

* For identification purposes only

APPENDIX I LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We consider that the Subscription, the transactions contemplated thereunder including the Proposed Issue and the grant of the Specific Mandate and are in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Subscription, the transactions contemplated thereunder including the Proposed Issue and the grant of the Specific Mandate.

Yours faithfully,

Zheng Bailin
Independent
Non-executive Director

Shen Ruolei
Independent
Non-executive Director

Pun Chi Ping
Independent
Non-executive Director



INCU Corporate Finance Limited
Unit 1602, 16/F., Tower 1, Silvercord
30 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

11 March 2016

*To: The Independent Board Committee and
the Independent Shareholders of
Huajun Holdings Limited*

Dear Sirs,

CONNECTED TRANSACTION ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders to give opinion in relation to the Subscription, and the transactions contemplated thereunder, including the Proposed Issue, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 11 March 2016 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 20 January 2016 (after trading hours), the Company entered into a conditional Subscription Agreement (subsequently supplemented and amended by the Supplemental Agreement) with HIL, a substantial shareholder of the Company, pursuant to which the Company has agreed to issue and HIL has agreed to subscribe the Convertible Bonds in the principal amount of HK\$1,330,000,000.

The Convertible Bonds carry the right to convert into Conversion Shares at the Conversion Price of HK\$1.00 per Conversion Share (subject to adjustment). Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the Conversion Price, 1,330,000,000 new Shares, being the Conversion Shares, will be issued to the Bondholder.

The Conversion Shares represent approximately 33.76% of the issued capital of the Company as at the Latest Practicable Date and approximately 17.85% of the issued share capital of the Company as enlarged by the issue and allotment of the Placing Shares and the Conversion Shares, assuming (i) all the Placing Shares have been subscribed and issued; (ii) all the Conversion Shares have been converted and issued; and (iii) there is no other change in the number of the issued Shares. The Conversion Shares which fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds will be issued and allotted under the Specific Mandate to be approved by the Independent Shareholders at the SGM.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, HIL is a substantial shareholder of the Company, holding 2,250,082,214 Shares or approximately 57.13% of the total issued share capital of the Company, and is ultimately wholly and beneficially owned by Mr. Meng, who is the chairman and an executive Director of the Company, and his spouse. Accordingly, HIL is a connected person of the Company under the Listing Rules. Therefore, the Proposed Issue constitutes a connected transaction of the Company subject to the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules by way of poll at the SGM. HIL, Mr. Meng and their respective associates will abstain from voting at the SGM to be convened to consider and, if thought fit, to approve the Subscription Agreement (subsequently supplemented and amended by the Supplemental Agreement) and the transactions contemplated thereunder and grant of the Specific Mandate. Mr. Meng has abstained from voting on the resolutions passed by the Board to approve the Subscription Agreement and the transactions contemplated thereunder, including the Proposed Issue. To the best of the Directors' information, belief and knowledge, save for HIL, Mr. Meng and their respective associates, no other parties have any material interest which is different from other Shareholders in relation to the Proposed Issue and the grant of the Specific Mandate.

The Company has established an Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping, to advise the Independent Shareholders in respect of the terms of the Subscription Agreement and the transactions contemplated thereunder.

As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, INCU has no relationship with and is not connected with the Directors, chief executives and substantial shareholders of the Company or HIL and Mr. Meng or any of their respective associates. INCU has no shareholding interest in and has not acted as an independent financial adviser to the Company or any of its respective subsidiaries or their respective associates during the past two years. Accordingly, we consider that we are eligible to give independent advice on the Subscription Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular, the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business, affairs and financial positions of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

I. Background of the Group and information of the Subscriber

(a) Businesses of the Group

The principal business activity of the Company is investment holding. The Group is principally engaged in the businesses of (i) sale and manufacturing of high quality multi-colour packaging products, carton boxes, books, brochures and other paper products (the “**Printing Business**”); (ii) provision of finance; (iii) securities investments; (iv) property development and investments; (v) financial leasing (the “**Finance Lease Business**”); (vi) trading and logistics (the “**Trading Business**”); (vii) medical management; and (viii) industrial equipment.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Financial information of the Group

Set out below is the audited consolidated financial information of the Company for the financial years ended 31 March 2014 (“FY2014”) and 31 March 2015 (“FY2015”) as extracted from the annual report of the Company for the year ended 31 March 2015 (the “2015 Annual Report”) and the unaudited consolidated financial information for the six months ended 30 September 2014 (“1H2014/15”) and 30 September 2015 (“1H2015/16”) as extracted from the interim report of the Company for the six months ended 30 September 2015 (the “2015 Interim Report”):

	FY2014 <i>HK\$'000</i> (audited)	FY2015 <i>HK\$'000</i> (audited)	1H2014/15 <i>HK\$'000</i> (unaudited)	1H2015/16 <i>HK\$'000</i> (unaudited)
<i>Continuing operations</i>				
Revenue	677,189	747,926	410,181	676,963
Gross profit	119,568	166,570	77,397	148,381
Profit/(loss) before tax	147,718	422,643	20,211	(396,833)
<i>Discontinued operations (note)</i>				
Profit from discontinued operations	1,872	35	35	–
Profit/(loss) attributable to shareholders of the Company	123,843	242,190	15,067	(389,130)
			As at	As at
		As at 31 March	2015	30 September
		2014	2015	2015
		<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (unaudited)
Non-current assets	373,341	1,434,180	2,332,112	2,332,112
Current assets	603,269	2,284,474	5,340,093	5,340,093
Non-current liabilities	23,664	1,202,328	2,364,585	2,364,585
Current liabilities	321,261	1,168,830	4,007,089	4,007,089
Net assets	631,685	1,347,496	1,300,531	1,300,531
Total borrowings	104,688	1,766,620	5,215,930	5,215,930
Bank balance and cash	99,444	1,231,259	84,884	84,884

Note: Discontinued operation represents the brokerage of securities services business disposed of by the Group in FY2015.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) *Financial performance of the Group*

The Group's revenue is mainly generated from the Printing Business, which contributed 91.75% and 54.24% of the total revenue for FY2015 and 1H2015/16 respectively, and the Trading Business, which contributed 3.04% and 35.34% of the total revenue for FY2015 and 1H2015/16 respectively.

As disclosed in the 2015 Annual Report, revenue of the Group from continuing operations for FY2015 increased by approximately HK\$70.74 million, representing a 10.45% growth from FY2014. Such an increase was mainly attributable to the revenue from the Trading Business of approximately HK\$22.75 million and the Finance Lease Business of approximately HK\$34.18 million, both of which were established during FY2015. Along with the increase in revenue, gross profit from continuing operations increased by approximately HK\$47.00 million which was also due to an improvement in gross profit margin from 17.66% in FY2014 to 22.27% in FY2015. For FY2015, profit attributable to shareholders of the Company amounted to approximately HK\$242.19 million. As compared to approximately HK\$123.84 million for FY2014, such an increase was mainly attributable to the improvement in revenue and the gain in fair value of investment properties of approximately HK\$305.19 million during FY2015.

As disclosed in the 2015 Interim Report, revenue from continuing operations for 1H2015/16 increased significantly by 65.04% from approximately HK\$410.18 million for 1H2014/15 to approximately HK\$676.96 million for 1H2015/16. Such increase was mainly attributable to the revenue from the Trading Business of approximately HK\$239.24 million which has no contribution to the Group's revenue in 1H2014/15. Gross profit margin improved from 18.87% for 1H2014/15 to 21.92% for 1H2015/16, due to higher amount of turnover generated from the Finance Lease Business and the provision of finance business which have high gross profit margin. Despite the improved revenue and gross profit for the period, the Group recorded a loss attributable to shareholders of the Company of approximately HK\$389.13 million, which was mainly attributable to the one-off impairment loss on goodwill of approximately HK\$313.14 million and rise in finance cost of approximately HK\$102.27 million due to increase in borrowings for investments and general working capital. The Group considers that this one-time impairment loss on goodwill will not affect its operational business over the long term.

(ii) Financial position of the Group

As at 30 September 2015, the Group recorded net current assets of approximately HK\$1,333.00 million and net assets of approximately HK\$1,300.53 million. Notwithstanding the net current assets and net assets position, total borrowings of the Group as at 30 September 2015 amounted to approximately HK\$5,215.93 million, out of which, approximately HK\$3,195.90 million were repayable within 12 months and such amount represented 37.65 times of the bank balances and cash of approximately HK\$84.88 million.

We also note from the 2015 Interim Report that despite the significant increase in proceeds from borrowings during 1H2015/16, the Group recorded a net cash outflow of approximately HK\$1,145.68 million, mainly due to settlement of cash considerations of the acquisitions during the period.

As referred to in the 2015 Interim Report, the Group consistently adheres to its business development strategies with the aim of becoming a globally recognised investment holding company. Through business portfolio diversification, the Group can tap into different sectors in order to maximise returns on investment and optimise financial benefits for its shareholders. It is noted that the Company had a number of acquisitions underway, which may utilise the Company's cash upon completion.

(c) Information on the Subscriber

As at the Latest Practicable Date, HIL is a substantial shareholder of the Company, holding 2,250,082,214 Shares or approximately 57.12% of the total issued share capital of the Company, and is ultimately wholly and beneficially owned by Mr. Meng, who is the chairman and an executive Director of the Company, and his spouse. Accordingly, HIL is a connected person of the Company under the Listing Rules.

II. Reasons for the Proposed Issue and use of proceeds

As disclosed in the Letter from the Board, the Group requires fund to reduce the existing indebtedness and strengthen the working capital of the Group. The Subscription will enhance the cash position of the Company so that the Company can re-finance its existing borrowings with better interest rate than the interest rates of the Group's existing borrowings in the PRC because it allows the Company to capitalise on a lower interest rate and thus a smaller interest payment. Further, refinancing the existing debts of the Group can convert the existing short-term loans into longer-term debts under the Convertible Bonds, which helps the Group improve its cash flow and provides more available working capital. In addition, paying off the existing creditors will enhance the reputation of the business and helps establish solid relationships with the business partners of the Group. If the Convertible Bonds are successfully subscribed, the Company will be able to raise approximately HK\$1,330,000,000 gross proceeds. The net proceeds (after deducting the fees and expenses involved in the Subscription) will be approximately HK\$1,329,500,000. The Group originally intended to apply the aforesaid net proceeds for the settlement of part of consideration of the "A Shares" Subscription, repayment of borrowings and as the general working capital of the Group. After considering the benefit to reduce the existing indebtedness and to improve the financial position of the Group, if the Convertible Bonds are successfully subscribed, the Group intends to change the use of the said net proceeds for repayment of borrowings and the general working capital of the Group and will apply the aforesaid net proceeds as to approximately HK\$1,200,000,000 for repayment of the Group's existing borrowing and as to approximately HK\$129,500,000 for general working capital of the Group.

Apart from the Subscription, the Company also intended to conduct (a) the Placing to raise HK\$1,602 million in cash; and (b) the Disposal to realise approximately HK\$566.0 million in cash.

For details of the Placing and the Disposal, please refer to the announcements of the Company dated 18 January 2016 and 19 January 2016 respectively.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the detailed breakdown of intended use of proceeds and for the Subscription, the Placing and the Disposal is as follows:

Use of proceeds	Amount to be used (in HK\$ million)		
	Subscription	Placing	Disposal
(i) MOU Acquisition (as announced by the Company on 10 December 2015)	–	354	–
(ii) Repayment of indebtedness	1,200 <i>(Note a)</i>	1,089.0	–
(iii) General working capital	129.5 <i>(Note b)</i>	158.0	566.0
Total:	<u>1,329.5</u>	<u>1,601.8</u>	<u>566.0</u>

Notes:

- (a) As at the Latest Practicable Date, the Company intends to apply the net proceeds of HK\$1,200 million from the Subscription for the repayment of the following outstanding loans of the Group:

	HK\$ million	Date of maturity	Range of interest rate
Loans A, B, C and D	736.7	April 2016	6.60%-10.70%
Loan E	463.3	June 2016	10.60%
	<u>1,200.0</u>		

Subject to the completion of the Subscription, the Company intends to make the repayment of the said loan(s) on or before the respective dates of maturity.

- (b) As at the Latest Practicable Date, the Group anticipates that it requires about HK\$50 million as monthly general working capital, of which the breakdown is as follows:

- (i) Operating expenses: approximately HK\$26 million;
- (ii) Selling and marketing expenses: approximately HK\$8 million;
- (iii) Finance costs : approximately HK\$13 million; and
- (iv) Sundry expenses: approximately HK\$3 million.

Subject to the completion of the Subscription, the Company planned to apply the sum of HK\$129.5 million, being part of net proceeds from the Subscription, for payment of operating expenses, selling and marketing expenses, finance costs and sundry expenses in the following time manner:

- (i) approximately HK\$50 million for the first month;
- (ii) approximately HK\$50 million for the second month; and
- (iii) approximately HK\$29.5 million for partial settlement of the working capital requirement of the third month.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having taken into account the short term cash requirement for repaying borrowings and financing working capital of the Company, we are of the view that the planned use of proceeds from the Subscription is fair and reasonable.

As further disclosed in the Letter from the Board, the use of the net proceeds from the Subscription is different from the respective uses of net proceeds from the Placing and Disposal. The Company considers the Subscription is necessary because:

- (i) as disclosed in the announcement in relation to the Placing, the placing agent only agreed to place up to all of the Placing Shares on a best effort basis, it is uncertain as to whether all of the Placing Shares will be successfully placed and hence whether the net proceeds of HK\$1,601.8 million can be obtained by the Company;
- (ii) even if the Placing is completed, the relevant portion of net proceeds from the Subscription and the Placing to be applied for general working capital will only meet about 6 months general working capital requirement of the Company. Otherwise, the Company may require to obtain other external financing which may increase the Group's gearing ratio; and
- (iii) the interest rate for lending in the market may be raised in light of the market conditions.

In view of (i) the uncertainties of the success, timing and net proceeds amount of the Placing and (ii) general working capital requirement of the Company, we concur with the Directors' view that the Subscription is necessary.

As noted from the section headed “ (b) Financial information of the Group”, the total borrowings of the Group has been significantly increased from approximately HK\$1,766.62 million as at 31 March 2015 to approximately HK\$5,215.93 million as at 30 September 2015 while the bank balance and cash significantly decreased from approximately HK\$1,231.26 million to approximately HK\$84.88 million. We have enquired and was advised by the Directors that based on the management account of the Company, total borrowings of the Group as at 31 December 2015 amounted to approximately HK\$5,624.8 million, of which approximately HK\$3,369.4 million were repayable within 12 months and the bank balances and cash were approximately HK\$181.32 million.

In view of the (i) cash level of the Company and the funds needed to repay borrowings when they fall due within the next 12-month period; and (ii) interest burden of the Group will be reduced given lower interest rate of the Convertible Bonds, we are of the view that the Proposed Issue is important to provide timely source of funding to the Group.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

III. Financing alternatives available to the Group

As disclosed in the Letter from the Board, the Company has conducted the following fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds (Note 1)
10 February 2015	Subscription of 533,058,000 new Shares under general mandate of the Company	HK\$373 million	To finance the finance lease arrangement as disclosed in the announcements of the Company dated 4 February 2015 and 9 February 2015.	All used as intended for settlement of the consideration for the finance lease by 3 March 2015.
13 February 2015, 16 February 2015 and 31 March 2015	Issue of convertible bonds of an aggregate principal amount of HK\$500 million	HK\$499.7 million	(i) Approximately HK\$124.5 million to repay part of the existing indebtedness of the Group, provide capital support to the Company to accomplish its strategic development objectives, help the Company to optimize financial structure, strengthen solvency and operation capability, underpin the continued business growth and consolidate the market position of the Company.	Used as intended with approximately HK\$46.1 million used in securities investments, approximately HK\$75.0 million used in settlement of part of the consideration for acquisition of Heqing County Sengong Forestry Development Co., Ltd.* (鶴慶縣森工林業有限公司), Ninglang Boyu Forestry Development Co., Ltd.* (寧蒗博宇林業開發有限公司) and Yangbi Yunsen Forestry Development Co., Ltd.* (漾濞雲森林業開發有限公司) and approximately HK\$3.4 million used in expanding the Group's trading business in the PRC in July 2015.

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Event	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds <i>(Note 1)</i>
			(ii) Approximately HK\$74.7 million for finance investment or development of businesses of the Company to acquire Dalian Lugang Logistics Company Limited* (大連陸港物流基地有限公司).	All used as intended for settlement of the acquisition consideration by 18 August 2015.
			(iii) Approximately HK\$236.6 million for acquisition of Zhejiang Linhai Machinery Company Limited* (浙江臨海機械有限公司).	All used as intended for settlement of the acquisition consideration by 3 August 2015.
			(iv) Approximately HK\$63.9 million for general working capital purposes.	Used as intended with approximately HK\$61.5 million used for working capital of the Group's trading business and approximately HK\$2.4 million used for payment of interest on bank borrowings in June and July 2015.
18 January 2016	Subscription of the Placing Shares under specific mandate of the Company on a best effort basis	Approximately HK\$1,601.8 million	To settle part of consideration of the MOU Acquisition, repayment of borrowings and general working capital of the Group.	Not yet completed. <i>(the Placing was subject to, among others, the Shareholders' approval)</i>

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As noted from the above table, all the proceeds from the completed fund raising activities in the past twelve months have been utilised.

As stated in the Letter from the Board, in view of the current market conditions, the Directors considered that the Subscription represents an ideal opportunity for the Company to raise additional capital and funds for strengthening the Group's capital base and financial position for business development without immediate dilution of the shareholding interest of the existing Shareholders at a reasonable cost.

The Directors have also considered financing methods such as debt financing in order to meet its financing requirement arising from the development of the Group. However, the use of debt financing (i) may create additional interest burden to the Group which will affect the Group's performance; and (ii) may subject to, including but not limited to, lengthy due diligence due to investigation on pledge assets and negotiations with the banks with regards to the Group's financial position, capital structure and the then prevailing stock market conditions; and (iii) may involve further provision of security, the Directors consider that debt financing is rather uncertain and time consuming as compared to equity financing for the Group to raise additional capital for its future investments and/or business development.

With respect to the other forms of pro rata equity financing method such as rights issue and open offer, the Directors consider that such pro rata equity financing would incur substantial costs in form of underwriting commission. Although both rights issue and open offer may allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising alternatives would be relatively time consuming as compared to the equity financing and there would be no certainty that the Company would be able to procure favourable terms in such commercial underwriting and the success of such form of fund raising activity is highly depends on market sentiment. Moreover, substantial costs, including the underwriting commission, documentation preparation cost and professional fee, may be incurred by conducting pro rata equity financing.

Taking into account that (i) the interest rates of bank borrowings in the market are higher as compared to the interest rate of the Convertible Bonds; (ii) application for bank borrowings is more time consuming as compared to the Proposed Issue; (iii) the uncertainties in recent stock market might cause difficulties in reaching enough acceptances for a rights issue or an open offer; and (iv) the potential substantial underwriting costs will be incurred for a rights issue or an open offer, we consider the Proposed Issue to be a better financing alternative over other forms of equity financing as discussed above. As such, we concur with the Directors' view that the Subscription is a feasible fund raising alternative currently available to the Company and is in the interests of the Company and the Independent Shareholders as a whole.

IV. Details and evaluation on the principal terms of the Subscription Agreement

(a) Details of the principal terms of the Subscription Agreement

The principal terms of the Convertible Bonds are summarised as follows:

Principal amount	:	HK\$1,330,000,000
Maturity date	:	the date falling on the expiry of a three years' period which shall commence from the date of issue of the Convertible Bonds
Conversion Price	:	HK\$1.00 per Conversion Share (subject to adjustment)
Interest	:	3.5% per annum payable half-yearly, for each anniversary year of issue, in arrears
Conversion period	:	the period commencing from the date of issue of the Convertible Bonds and ending on the date which falls on the Business Day immediately before the Maturity Date, both dates inclusive
Conversion restriction	:	No conversion shall be made by the Bondholders if such conversion shall trigger off a mandatory offer under Rule 26 of the Takeovers Code on the part of the Bondholders who exercise the conversion right or shall cause the public float of the Company unable to meet the requirement under the Listing Rules

As stated in the Letter from the Board, the principal terms of the Convertible Bonds were arrived at after arm's length negotiations between the Company and HIL. For further details of the major terms of the Convertible Bonds, please refer to the Letter from the Board.

(b) Evaluation of the principal terms of the Subscription Agreement

(i) Comparison of the Conversion Price with historical trading prices

The Conversion Price of HK\$1.00 per Conversion Share, representing:

- (1) a premium of approximately 12.36% over the closing price of HK\$0.890 per Share as quoted at 4:00 p.m. on the Stock Exchange on the Last Trading Day;
- (2) a premium of approximately 11.11% over the average closing price of HK\$0.900 per Share as quoted on the Stock Exchange for the last five trading days immediately to and including the Last Trading Day;
- (3) a premium of approximately 8.46% over the average closing price of HK\$0.922 per Share as quoted on the Stock Exchange for the last ten trading days immediately to and including the Last Trading Day;
- (4) a premium of approximately 23.46% over the closing price of HK\$0.810 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (5) a premium of approximately 149.38% over the Company's audited net asset value attributable to the Shareholders of HK\$0.401 per Share as at 31 March 2015 (based on 3,198,348,000 Shares in issue as at 31 March 2015); and
- (6) a premium of approximately 213.48% over the Company's unaudited net asset value attributable to the Shareholders of HK\$0.319 per Share as at 30 September 2015 (based on 3,912,634,000 Shares in issue as at 30 September 2015).

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, the Conversion Price was arrived at after arm's length negotiations between the Company and HIL with reference to the prevailing market prices of the Shares as shown in (1) to (3) above. The Directors consider the Conversion Price and the terms and conditions of the Subscription Agreement are fair and reasonable based on the current market conditions and in the interests of the Company and Shareholders as a whole.

In order to further assess the fairness and reasonableness of the Conversion Price, we have reviewed the movements in closing price of the Shares for the period commencing from 20 January 2015, being 12 months prior to the date of the Subscription Agreement, to 26 February 2016 (the "Review Period"), which is set out in the diagram below.



During the Review Period, the closing prices of the Shares as quoted on the Stock Exchange ranged from HK\$0.445 per Share (on 20 March 2015 and 24 March 2015) to HK\$1.460 per Share (on 29 June 2015) with an average of HK\$0.911 per Share. As illustrated in the above diagram, the Conversion Price of HK\$1.0 is within the range of the closing prices of the Shares during the Review Period, and represents a premium of (i) approximately 9.77% over the average closing price of HK\$0.911; (ii) approximately 124.72% over the lowest closing price and (iii) a discount of approximately 31.51% to the highest closing price recorded during the Review Period.

Although the Conversion Price represented discount to the closing price of the Shares during certain time in the Review Period which includes the period after the date of the Subscription Agreement up to 26 February 2016, taking into consideration that (i) the Conversion Price was determined with reference to the prevailing market prices of the Shares at the date of Subscription Agreement; (ii) the general market sentiment has been changed from mid 2015 to recent as evidenced by the downward trend of the closing price of the Shares since July 2015; (iii) the Conversion Price represents a significant premium over the Company's unaudited net asset value per Share as at 30 September 2015; and (iv) the Conversion Price of HK\$1.00 still represents a premium over the closing prices per Share after the date of Subscription Agreement up to 26 February 2016, we are of the opinion that the Conversion Price is fair and reasonable.

(ii) Comparable analysis

In order to assess the fairness and reasonableness of the Conversion Price and other principal terms of the Subscription Agreement, we have identified and reviewed those issue and subscription of convertible bonds/notes/debentures under specific mandate for fund raising purpose which were announced by companies listed on the Stock Exchange (the "**Comparables**") during the period of six months immediately prior to the date of the Subscription Agreement (the "**Reference Period**") (i.e. 21 July 2015 to 20 January 2016). To the best of our knowledge and as far as we are aware of, we identified 18 comparables which met the said criteria and we considered the sample size to be fair and representative as the Comparables can reflect the latest market practice prior to the date of the Subscription Agreement. We consider that the Reference Period is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to the date of the Subscription Agreement; and (ii) we were able to identify sufficient samples for comparison within such period. Shareholders should note that the size, business nature, scale of operations and prospects of the Company are not exactly the same as the Comparables and we have not conducted any in-depth investigation into the size, business nature, scale of operations and prospects of the Comparables. Nevertheless, given that this analysis is aiming at taking a general reference to the recent market practice in relation to the Conversion Price and other principal terms of the Subscription Agreement, we consider that our comparable analysis on the Conversion Price and other principal terms without limiting to companies that are with similar size, business nature and scale of operations as that of the Group is fair and reasonable and useful for the Independent Shareholders' reference. The table below summarises the details of the Comparables:

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Stock code	Term	Interest rate (p.a.) %	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to the release of announcement in relation to respective issue of convertible bonds/notes/debentures %
24 Aug 2015	Loudong General Nice Resources (China) Holdings Limited	988	3	6.00	(58.22)*
28 Aug 2015	Code Agriculture (Holdings) Limited	8153	3	6.00	(58.85)*
30 Aug 2015	Global Bio-chem Technology Group Company Limited	809	5	0.01	(33.33)
8 Oct 2015	Link Holdings Limited	8237	5	0.01	(65.63)*
27 Oct 2015	CCT Land Holdings Limited	261	3	Nil	(47.37)
27 Oct 2015	Shun Cheong Holdings Limited	650	3	Nil	(88.65)*
5 Nov 2015	Harmonic Strait Financial Holdings Limited	33	2	Nil	(28.57)
8 Dec 2015	Heng Xin China Holdings Limited	8046	1	5.00	(30.72)
9 Dec 2015	HC International, INC.	2280	3	Nil	(8.26)
9 Dec 2015	Freeman Financial Corporation Limited	279	3	6.75	(25.50)
13 Dec 2015	Co-prosperity Holdings Limited	707	3	8.00	(17.50)
16 Dec 2015	Vision Fame International Holding Limited	1315	5	Nil	(95.71)*
17 Dec 2015	North Mining Shares Company Limited	433	5	Nil	Nil

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Date of announcement	Company name	Stock code	Term	Interest rate (p.a.) %	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading day prior to the release of announcement in relation to respective issue of convertible bonds/notes/debentures %
21 Dec 2015	Polyard Petroleum International Group Limited	8011	2	10.00	4.81
29 Dec 2015	Top Spring International Holdings Limited	3688	3	6.00	9.40
30 Dec 2015	South Sea Petroleum Holdings Limited	76	6	Nil	(2.34)
6 Jan 2016	Blue Sky Power Holdings Limited	6828	3	4.50	(11.76)
18 Jan 2016	Hsin Chong Construction Group Ltd.	404	2	Nil	35.14
Maximum			10	10.00	35.14*
Minimum			1	Nil	(47.37)*
Average			3.33	2.90	(12.00)*
Average except zero coupon bonds/notes/debentures				5.23	
The Company			3	3.50	12.36

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

* These comparables are classified as extreme cases (the "Extreme Cases") given their extraordinary discounts of conversion price to their respective closing share price and therefore have been excluded in the comparison for the premium and discount over/ to the closing price on the last trading day.

Conversion price

As shown in the above table, the conversion prices of the Comparables ranged from a discount of approximately 47.37% to a premium of approximately 35.14%, with an average discount of 12.00% to the respective closing prices of their shares as at the last trading date prior to the release of announcements in relation to respective issue of convertible bonds/notes/debentures.

Having taken into account that the Conversion Price (i) represents a premium over the average closing price of the Shares of HK\$0.911 during the Review Period; (ii) represents a material premium over the net assets of the Company as at 30 September 2015; and (iii) is set at a premium of 12.36% over the closing price of the Share on the Last Trading Day, which is within the range of the Comparables, we consider that the Conversion price is fair and reasonable so far as the Independent Shareholders are concerned.

Term to maturity

The term to maturity of the Comparables ranged from 1 year to 10 years. Since the term of the Convertible Bonds of 3 years is within the range of the Comparables, we consider that the term to maturity was determined under normal commercial terms.

Interest rate

The Convertible Bonds bears an interest rate of 3.5% per annum. As shown in the above table, 10 out of 18 of the Comparables are interest bearing, hence we consider the issue of convertible bonds/notes/debentures with interest are not an uncommon market practice. The interest rate of these 10 interest bearing Comparables ranged from 0.01% to 10.00% per annum with an average rate of 5.23% per annum.

As the interest rate of the Convertible Bonds of 3.50% per annum is within the range and below the average of these 10 interest bearing Comparables, we consider that the interest rate of the Convertible Bonds is reasonable.

V. Possible dilution to the shareholdings of the Shareholders

As at the Latest Practicable Date, the Company has 3,939,020,085 Shares in issue. For illustration purpose only, the shareholding interests of the Company (i) as at the Latest Practicable Date; (ii) immediately after the completion of the Placing, assuming all Placing Shares are subscribed and issued and no conversion rights attaching to the Convertible Bonds has been exercised; (iii) immediately after the completion of the Subscription and issuance of Conversion Shares but prior to the completion of the Placing; and (iv) immediately after the completions of the Acquisition, Subscription and Placing and issuance of Consideration Shares, Conversion Shares and Placing Shares are as follow:

	(i) as at Latest Practicable Date	(ii) immediately after the completion of the Placing, assuming all Placing Shares are subscribed and issued and no conversion rights attaching to the Convertible Bonds has been exercised	(iii) immediately after the completion of the Subscription and issuance of Conversion Shares but prior to the completion of the Placing	(iv) immediately after the respective completions of the Acquisition and Subscription and issuance of Consideration Shares and Placing Shares (assuming all Placing Shares are subscribed and issued)	(v) immediately after the respective completions of the Acquisition, Subscription and Placing and issuance of Consideration Shares, Conversion Shares and Placing Shares (assuming all Placing Shares are subscribed and issued)
	No. of shares	No. of shares	No. of shares	No. of shares	No. of shares
HIL	2,250,082,214	2,250,082,214	2,250,082,214	2,250,082,214	2,250,082,214
Conversion Shares	-	-	42.70%	39.69%	28.67%
Consideration Shares	-	-	25.24%	23.46%	16.94%
Mr. Meng	60,430,371	60,430,371	1.15%	7.06%	5.10%
Sub-total	2,310,512,585	2,310,512,585	69.09%	71.27%	51.48%
Mr. Wu	133,264,500	133,264,500	2.53%	2.35%	1.70%
Public Shareholders					
Places of the Placing	-	2,180,000,000	-	-	27.77%
Other shareholders	1,495,243,000	1,495,243,000	28.38%	26.38%	19.05%
Total	3,939,020,085	6,119,020,085	100.00%	100.00%	100.00%

APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued Share capital of Huajun (International) Development Limited is beneficially owned by Hua Jun Holding Group Co. Ltd.* (華君控股集團有限公司). Mr. Meng and Madam Bao Le, spouse of Mr. Meng, held 97.5% and 2.5% respectively in Hua Jun Holding Group Co. Ltd.*(華君控股集團有限公司).
2. 133,264,500 Shares are beneficially owned by Forest Tree Limited, which in turn is wholly-owned by Mr. Wu Jiwei, an executive Director.
3. For details of the Placing, please refer to the announcement of the Company dated 18 January 2016.

As illustrated by the table above, the shareholding interests of the existing public Shareholders in the Company will be diluted from approximately 37.96% as at the Latest Practicable Date to (i) approximately 28.38% immediately after the completion of the Subscription and issuance of Conversion Shares but prior to the completion of the Placing; and (ii) approximately 26.38% immediately after the respective completion of the Acquisition and Subscription and issuance of Consideration Shares and Conversion Shares but prior to the completion of the Placing.

If the completion of the Placing takes place and all Placing Shares are subscribed and issued, the shareholding interests of the public Shareholders (including the places of the Placing) will be increased from approximately 37.96% as at the Latest Practicable Date to (i) 60.07%, assuming no conversion rights attaching to the Convertible Bonds has been exercised; and (ii) 46.82%, assuming the completions of the Acquisition and Subscription have also been taken place and the Consideration Shares and Conversion Shares have been issued.

Nevertheless, having considered that (i) the principal terms of the Subscription Agreement were fairly and reasonably set; (ii) interest burden of the Group will be reduced given lower interest rate of the Convertible Bonds; and (iii) the Proposed Issue will provide timely source of funding for repaying short-term borrowings, we concur with the Directors' view that the dilution effect to the shareholding interests of the existing public Shareholders is acceptable.

VI. Possible financial effects of the issue of the Convertible Bonds

(a) Net assets

As disclosed in the 2015 Interim Report, the net asset value of the Group was approximately HK\$1,300.53 million as at 30 September 2015. The issue of Convertible Bonds will lead to (i) an increase in cash by the net proceeds of the Proposed Issue amounting to approximately HK\$1,329.50 million; (ii) an increase in non-current liabilities as the liability component of the Convertible Bonds; and (iii) an increase in convertible bonds equity reserve as the equity component of the Convertible Bonds. The Shareholders should note that the exact impact on the net asset value of the Group will be subject to assessment and valuation by a professional valuer.

(b) Liquidity and working capital

As disclosed in the 2015 Interim Report, the Group had bank balances and cash of approximately HK\$84.88 million as at 30 September 2015. Immediately upon completion of the Proposed Issue, the Company will raise net proceeds of approximately HK\$1,329.50 million for repaying short-term borrowings and the liability portion of the Convertible Bonds will be treated as a non-current liability of the Group. Accordingly, the liquidity and working capital position of the Group will be improved upon completion of the Proposed Issue.

(c) Earnings

As advised by the Directors, the liability portion of the Convertible Bonds will be carried at amortised cost using the effective interest method in subsequent periods. The effective interest expenses of the Convertible Bonds will be charged to the consolidated statement of profit or loss subsequent to completion of the Proposed Issue and for the three years onward (or earlier if the conversion and/or redemption of the Convertible Bonds in full).

Although the Convertible Bonds carry 3.50% interest per annum, the Directors are of the view that the negative impact to the Group's earnings will be partially offset by the saving in finance cost as the majority part of the proceeds from the Proposed Issue are intended to be applied to repaying bank borrowings which carry interest of ranging from 6.60% to 10.70% per annum.

It should be noted that the abovementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company will be upon completion of the Subscription Agreement and the Proposed Issue.

RECOMMENDATION

Having considered that (i) the principal terms of the Subscription Agreement are fair and reasonable; (ii) interest burden of the Group will be reduced given lower interest rate of the Convertible Bonds; and (iii) the Group's working capital position will be improved upon completion of the Proposed Issue, we are of the view that the terms of the Subscription Agreement and the transactions contemplated thereunder including the Proposed Issue and the grant of Specific Mandate are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming SGM to approve the Subscription Agreement (as supplemented and amended by the Supplemental Agreement) and the transactions contemplated thereunder including the Proposed Issue and the grant of the Specific Mandate.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. 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	60,430,371 (L)	Beneficial owner	1.53%
	2,250,082,214 (L)	Interest in controlled corporation (<i>Note 1</i>)	57.13%

Director	Number of Shares	Capacity	Approximate percentage of interests in the issued share capital of the Company as at the Latest Practicable Date
Mr. Wu	133,264,500 (L)	Interest in controlled corporation (<i>Note 2</i>)	3.38%
	26,386,371 (L)	Share options (<i>Note 3</i>)	0.67%
Mr. Guo	26,386,371 (L)	Share options (<i>Note 3</i>)	0.67%
Mr. Zheng Bailin	2,638,637 (L)	Share options (<i>Note 4</i>)	0.07%
Mr. Shen Ruolei	2,638,637 (L)	Share options (<i>Note 4</i>)	0.07%
Mr. Pun Chi Ping	2,638,637 (L)	Share options (<i>Note 4</i>)	0.07%

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

- 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng and Madam Bao Le, being spouse of Mr. Meng, held 97.5% and 2.5% respectively in HHGL. Mr. Meng was deemed to be interested in all Shares held by HIL by virtue of the SFO.
- 133,264,500 Shares are beneficially owned by Forest Tree Limited, which in turn was wholly-owned owned by Mr. Wu, an executive Director. Mr. Wu was deemed to be interested in all 133,264,500 Shares held by Forest Tree Limited by virtue of the SFO.
- 26,386,371 share options have been granted to each of Mr. Wu and Mr. Guo. For further details of the said share options granted, please refer to the announcement dated 16 February 2015 and 30 June 2015 by the Company.
- 2,638,637 share options have been granted to each of Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping. For further details of the said share options granted, please refer to the announcement dated 30 June 2015 by the Company.

Interests in shares in associated corporations

Associated corporation	Director	Number of shares in the associated corporation	Capacity	Approximate percentage of interest in the issued share capital of the associated corporation
HHGL (<i>Note 5</i>)	Mr. Meng	97,500,000	Beneficial owner	97.5%

5. HIL, Huajun Holdings Group Limited and Huajun (International) Development Limited are wholly-owned subsidiaries of HHGL.

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.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Name of Shareholder	Nature of interest/capacity	Number of shares	Approximate percentage of interests in the issued share capital of the Company
Bao Le	Interest held by spouse	2,250,082,214 (L) (<i>Note (a)</i>)	57.13%
HIL	Beneficial owner	2,250,082,214 (L) (<i>Note (a)</i>)	57.13%

Name of Shareholder	Nature of interest/capacity	Number of shares	Approximate percentage of interests in the issued share capital of the Company
Huajun Holdings Group Limited	Interest of controlled corporation	2,250,082,214 (L) (Note (a))	57.13%
Huajun (International) Development Limited	Interest of controlled corporation	2,250,082,214 (L) (Note (a))	57.13%
HHGL	Interest of controlled corporation	2,250,082,214 (L) (Note (a))	57.13%
Mr. Meng	Interest of controlled corporation	2,250,082,214 (L) (Note (a))	57.13%
	Beneficial owner	60,430,371 (L)	1.53%

Note:

- (a) 2,250,082,214 Shares are held in the name of HIL. The entire issued share capital of HIL is beneficially owned by Huajun Holdings Group Limited which in turn is wholly owned by Huajun (International) Development Limited. The entire issued share capital of Huajun (International) Development Limited is beneficially owned by HHGL. Mr. Meng and Madam Bao Le, being spouse of Mr. Meng, held 97.5% and 2.5% respectively in HHGL. Mr. Meng was deemed to be interested in all Shares held by HIL by virtue of the SFO. Madam Bao Le, being spouse of Mr. Meng, was also deemed to be interested in the Shares held by HIL.

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

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

4. DIRECTORS' SERVICES CONTRACTS

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

5. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualification
<p>INCU Corporate Finance Limited</p>	<p>a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement</p>

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 March 2015, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. COMPETING INTERESTS

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

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 March 2015, 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.

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

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and there is no litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. MATERIAL ADVERSE CHANGE

Save and expect as disclosed in the announcement of the Company dated 13 November 2015 (the “**Profit Warning Announcement**”), as at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 March 2015, being the date to which the latest audited consolidated financial statements of the Group were made up.

As disclosed in the Profit Warning Announcement and the report (the “**Interim Report**”) set out the Group’s unaudited consolidated interim results for the six months ended 30 September 2015 which was published on 3 December 2015, the Group recorded a net loss for the six months ended 30 September 2015 as compared to the profit for the corresponding period in 2014. The net loss is mainly attributable to (i) the impairment of goodwill in connection with an investment in a subsidiary and (ii) the increase in finance costs due to increase in borrowings for investment and general working capital. Please refer to the Profit Warning Announcement and the Interim Report for further details.

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 sale and purchase agreement dated 28 March 2014 entered into between Prince Jade Limited, a wholly-owned subsidiary of the Company, as the vendor and Mr. Law Man Lung as the purchaser in relation to the sale and purchase of 70% of the issued share capital of CEPA Alliance Holdings Limited for a consideration of HK\$34,800,000;
- (b) the loan agreement dated 29 September 2014 entered into between the Company and HIL in respect of a loan in the principal amount of HK\$585,960,000.00;
- (c) the subscription agreement dated 5 November 2014 entered into between Huajun Capital Limited and Sheng Yuan Holdings Limited in relation to the subscription by Huajun Capital Limited of convertible bond issued by Sheng Yuan Holdings Limited in a principal amount of HK\$100 million;

- (d) the subscription agreement dated 28 November 2014 entered into between Huajun Capital Limited, a wholly-owned subsidiary of the Company, and Global High Growth Industries Fund Series SPC (“**GHGI Fund Series SPC**”) in relation to the subscription of the shares of GHGI Fund Series SPC in relation to the Sheng Hua Financial Stable Growth Investment Fund SP, which are classified into Class B (“**Class B Shares**”) in a principal amount of HK\$542.87 million;
- (e) the sale and purchase agreement entered into between Huajun Capital Limited and Wah Lun International Development Limited on 19 January 2015 in relation to the disposal of the Class B Shares of GHGI Fund Series SPC to Wah Lun International Development Limited for a consideration of HK\$564,090,982.57;
- (f) the sale and purchase agreement entered into between Huajun Capital Limited and CL International Training Limited on 19 January 2015 in relation to the disposal of the 8% 3-year convertible bonds of a principal amount of HK\$100 million by Huajun Capital Limited to CL International Training Limited for a consideration of HK\$101,797,260.27;
- (g) the share subscription agreement dated 20 January 2015 made among Huajun Logistics Co. Limited, a wholly-owned subsidiary of the Company, as the subscriber, Candice Development Limited as the issuer, and Gather Take Development Limited as the guarantor, in relation to the subscription of the 52,041 shares of Candice Development Limited for a consideration of US\$52,041 (equivalent to approximately HK\$404,880);
- (h) the sale and purchase agreement dated 6 February 2015 entered into between Continuously Water Affairs (China) Limited* (源源水務(中國)有限公司 (“**Continuously Water**”), a wholly-owned subsidiary of the Company, as the purchaser and Mr. Qin Shixu* (秦世旭) and Ms. Cheng Meijun* (程梅君) as the vendors in relation to the sale and purchase of entire equity interest of Dashiqiao Continuously Water Affairs Limited* (大石橋源源水務有限公司) for a consideration of RMB100,000,000 (equivalent to approximately HK\$118,000,000);
- (i) the sale and purchase agreement dated 9 February 2015 entered into between Mr. Li Yonggang* (李永剛) as the vendor and B&H Properties Group Limited* (保華地產集團有限公司), a wholly-owned subsidiary of the Company, as the purchaser in relation to the sale and purchase of 40% equity interest in Zhihua Logistics Technology Co., Ltd of Yingkou Economic Development Zone* (營口經濟技術開發區志華物流有限公司) for a consideration of RMB120,000,000 (equivalent to approximately HK\$141,600,000);

- (j) the sale and purchase agreement dated 9 February 2015 entered into between Zhao Changai* (趙長愛) as the vendor and B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser in relation to the sale and purchase of 80% equity interest in Yingkou Wanhe Industrial Co. Ltd* (營口萬合實業有限公司) for a consideration of RMB80,000,000 (equivalent to approximately HK\$94,400,000);
- (k) the subscription agreement dated 10 February 2015 entered into between the Company and the subscribers named therein in respect of the subscription of the 533,058,000 new Shares issued by the Company at HK\$0.70 each;
- (l) the conditional subscription agreement dated 13 February 2015 entered into between the Company, HIL and Mr. Wu in respect of the subscription of the convertible bonds of an aggregate principal amount of HK\$500 million issued by the Company on 11 June 2015;
- (m) the sale and purchase agreement dated 26 March 2015 entered into between the Company and Hung Jia Holdings Limited, in relation to the disposal of 100% shareholding of Success Crest Investment Limited for a consideration of RMB90,000,000 (equivalent to approximately HK\$106,200,000);
- (n) the sale and purchase agreement dated 26 March 2015 entered into between New Island Holdings (B.V.I.) Limited, a wholly-owned subsidiary of the Company, and Folli Follie Group Holding Co., Ltd, in relation to the disposal of 100% shareholding of New Island Property (B.V.I.) Limited for a consideration of HK\$142,800,000;
- (o) the termination agreement dated 27 March 2015 entered into between Mr. Li Yonggang* (李永剛) as the vendor and B&H Properties Group Limited* (保華地產集團有限公司), an indirect wholly-owned subsidiary of the Company, as the purchaser in relation to the sale and purchase of 40% equity interest in Zhihua Logistics Technology Co., Ltd of Yingkou Economic Development Zone* (營口經濟技術開發區志華物流有限公司) for a consideration of RMB120,000,000 (equivalent to approximately HK\$141,600,000);
- (p) the supplemental agreement dated 31 March 2015 entered into between the Company, HIL and Mr. Wu for the purpose of supplementing and amending the subscription agreement in respect of the subscription of the convertible bonds of an aggregate principal amount of HK\$500 million issued by the Company on 11 June 2015;

- (q) capital increase agreement dated 27 April 2015 entered into between New Island Management Services Limited and Harbin Hezhong in respect of the subscription of additional registered capital of Shenzhen Huajun Financial Leasing Limited* (深圳市華君融資租賃有限公司) at a consideration of US\$15 million (equivalent to approximately HK\$116.7 million), as a result of which Harbin Hezhong is interested in 30% equity interest in Shenzhen Huajun Financial Leasing Limited* (深圳市華君融資租賃有限公司);
- (r) the sale and purchase agreement dated 26 May 2015 entered into between Huajun Industrial Equipment Group Limited* (華君工業裝備集團有限公司), an indirect wholly-owned subsidiary of the Company, as the purchaser, and Linhai Finance Bureau* (臨海市財政局) and Linhai Economic and Information Technology Bureau* (臨海市經濟和信息化局), together as the vendors, in relation to the entire equity interest of Zhejiang Linhai Machinery Company Limited* (浙江臨海機械有限公司) for a consideration of RMB192,150,000 (equivalent to approximately HK\$226,737,000);
- (s) the sale and purchase agreement dated 26 May 2015 entered into between Continuously Water, an indirect wholly-owned subsidiary of the Company, as the purchaser, and Yingkou Yin Ke Jian An Investment Co., Ltd.* (營口銀科建安投資有限公司), as the vendor, in relation to the 49% equity interest of Liaoning Yinzhu Chemtex Group Co. Ltd.* (遼寧銀珠化紡集團有限公司) for a consideration of RMB70,000,000 (equivalent to approximately HK\$82,600,000);
- (t) the conditional sale and purchase Agreement dated 12 June 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser and Zhang Yu* (張玉), as the vendor in relation to 60% equity interest in Dalian Bao Xing Da Industrial Co., Ltd.* (大連保興達實業有限公司) for a consideration of RMB60 million (equivalent to approximately HK\$70.8 million);
- (u) the sale and purchase agreement dated 17 June 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser and Lijiang Tianan Forestry Development Co., Ltd.* (麗江天安林業開發有限公司), as the vendor, in relation to the entire equity interest of each of Heqing County Sengong Forestry Development Co., Ltd.* (鶴慶縣森工林業有限公司), Ninglang Boyu Forestry Development Co., Ltd.* (寧蒗博宇林業開發有限公司) and Yangbi Yunsen Forestry Development Co., Ltd.* (漾濞雲森林業有限公司) for a consideration of RMB160 million (equivalent to approximately HK\$188.8 million);

- (v) an agreement dated 26 June 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser, Tianan Property Investment Strategic Planning (Shenzhen) Co. Ltd.* (天安地產投資策劃(深圳)有限公司) and Suzhou Tianan Import and Export Trading Co. Ltd.* (蘇州天安進出口貿易有限公司) in relation to the proposed establishment of a joint venture company;
- (w) an agreement dated 16 July 2015 entered into between B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser and Mr. Zhou Luohong* (周羅洪), Mr. Xie Jianming* (謝建明) and Ms. Zhou Jing* (周靜), collectively as the vendor, in relation to the entire equity interest of Yingkou Xiang Feng Properties Company Limited* (營口翔峰置業有限公司) and development project named Xiang Feng Wealth Seaview* (翔峰財富海景) including the use rights of the state-owned lands for a consideration of RMB250 million (equivalent to approximately HK\$295 million);
- (x) the agreement dated 25 August 2015 entered into between Zhang Ying* (張英) and Zhang Hao* (張浩), as the vendors, and Continuously Water, as the purchaser, in relation to the entire equity interest of Changzhou City Jintan Ruixin Optoelectronic Co., Ltd.* (常州市金壇瑞欣光電有限公司) and the shareholder's loan, at a consideration of RMB75,000,001 (equivalent to approximately HK\$88,500,001);
- (y) the agreement dated 25 August 2015 entered into between Kong De Song* (孔德松) and Shen Li Li * (沈莉莉), as the vendor, and Continuously Water, as the purchaser in relation to the acquisition of Jiangsu Zhong Ke Zhong Ke Guo Neng Photovoltaic Technology Co., Ltd.* (江蘇中科國能光伏科技有限公司) at a consideration of RMB1 (equivalent to approximately HK\$1.18);
- (z) an equity transfer agreement dated 26 August 2015 entered into between Continuously Water,, as the purchaser and Dalian Hydraulic Machinery Co., Ltd. * (大連液力機械有限公司), as the vendor, in relation to the purchase of assets for a consideration of RMB33,412,572.70 (equivalent to approximately HK\$39,426,835);
- (aa) the agreement dated 10 September 2015 entered into between Yu Jun* (于俊), as the vendor, and Continuously Water, as the purchaser, in relation to the acquisition of the entire equity interest in Jurong Guangxuan Optoelectronic Technology Co., Ltd.* (句容光軒光電科技有限公司) and the shareholder's loan, which amounted to not less than approximately RMB142,900,000 (equivalent to approximately HK\$251,222,000), due by Jurong Guangxuan Optoelectronic Technology Co., Ltd.* (句容光軒光電科技有限公司) to Yu Jun* (于俊) for a consideration of RMB212,900,000 (equivalent to approximately HK\$259,738,000);

- (bb) the sale and purchase agreement dated 7 October 2015 entered into between the Vendor and B&H Properties Management (China) Limited* (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the purchaser in relation to the Acquisition for a consideration of RMB750,000,000 (equivalent to approximately HK\$885,000,000);
- (cc) the assets transfer agreement dated 31 December 2015 entered into between Jurong Zhong Ke Guo Neng Photovoltaic Technology Limited* (句容中科國能光伏科技有限公司), an indirect wholly-owned subsidiary of the Company as a transferee, and Jurong Guangxuan Optoelectronic Technology Ltd.* (句容光軒光電科技有限公司), as a transferor in relation to the acquisition in relation to the Target Asset for the non-current assets set out in the said assets transfer agreement for the consideration of RMB292,900,000 (equivalent to approximately HK\$345,622,000);
- (dd) the subscription agreement dated 18 January 2016 entered into between Huajun Power Company Limited (華君電力有限公司) and Baohuaxing Assets Management (Shenzhen) Co., Ltd.* (保華興資產管理(深圳)有限公司), both as subscribers, and Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司), as an issuer, in relation to the subscription by of 629,629,629 new ordinary shares of RMB1.00 each in the share capital of Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司) in the aggregate consideration of RMB1,700,000,000 (approximately HK\$2,006,000,000);
- (ee) the disposal agreement dated 18 January 2016 entered into between Huajun Power Company Limited (華君電力有限公司) and Baohuaxing Assets Management (Shenzhen) Co., Ltd.* (保華興資產管理(深圳)有限公司), both as vendors, and Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司), as a purchaser, in relation to the sale and purchase of the entire equity interest in Continuously Water in relation to the entire equity interest in Continuously Water for the consideration to be determined in accordance with the valuation of the Disposal Interest as at 31 December 2015;
- (ff) the profit guarantee agreement dated 18 January 2016 entered into between Huajun Power Company Limited (華君電力有限公司) and Baohuaxing Assets Management (Shenzhen) Co., Ltd.* (保華興資產管理(深圳)有限公司), both as guarantors, and Hareon Solar Technology Co., Ltd. (海潤光伏股份有限公司);
- (gg) the placing agreement dated 18 January 2016 entered into between the Company and Get Nice Securities Limited in respect of the subscription of up to 2,180,000,000 new Shares to be placed under the placing agreement at HK\$0.75 each;

- (hh) the sale and purchase agreement dated 19 January 2016 entered into between B&H Properties Management (China) Limited (保華置業管理(中國)有限公司), a wholly-owned subsidiary of the Company, as the vendor and Zhou Hailin (周海林) and Zhou Guoqing (周國慶) in relation to the disposal of 80% of the equity interests in Yingkou Wanhe Industrial Company Limited* (營口萬合實業有限公司) in the aggregate consideration of RMB480 million (equivalent to approximately HK\$566.4million);
- (ii) the Subscription Agreement; and
- (jj) the Supplemental Agreement.

11. GENERAL

- (a) The company secretary of the Company is Mr. Chan Wing Hang, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (c) The head office and principal place of business of the Company is situated at 36/F, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.
- (d) The Hong Kong share registrar of the Company is Union Registrars Limited, located at A18th Floor, Asia Orient Tower Town Place, 33 Lockhart Road Wanchai Hong Kong.
- (e) In the event of inconsistency, the English text shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three years ended 31 March 2013, 31 March 2014 and 31 March 2015;
- (c) the material contracts referred to under the section headed "Material Contracts" in this appendix;

- (d) a letter of recommendation dated 11 March 2016 from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the Appendix I of this circular;
- (e) a letter of advice from INCU Corporate Finance Limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the Appendix II of this circular;
- (f) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (g) the Subscription Agreement;
- (h) the circular of the Company dated 7 May 2015, 14 August 2015, 31 August 2015 and 30 November 2015 and 1 February 2016; and
- (i) this circular.

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

**HUAJUN HOLDINGS LIMITED****華君控股有限公司****(Incorporated in Bermuda with limited liability)***(Stock Code: 377)**

NOTICE IS HEREBY GIVEN that a special general meeting of Huajun Holdings Limited (the “**Company**”) will be held at 3:00 p.m. on Wednesday, 30 March 2016 at Conference Room, 36/F, Citibank Tower, 3 Garden Road, Central, Hong Kong for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolution as ordinary resolution:

ORDINARY RESOLUTION**“THAT**

- (a) the conditional subscription agreement (the “**Subscription Agreement**”) (a copy of which has been produced to the meeting marked “A” and initialed by the chairman of the meeting for identification purpose) dated 20 January 2016 and entered into between the Company and Huajun International Limited in respect of the subscription (the “**Subscription**”) for the redeemable 3.5% p.a. interest bearing Convertible Bonds (the “**Convertible Bonds**”) in principal amount of HK\$1,330,000,000 to be issued by the Company, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed.
- (b) the creation and issue of the Convertible Bonds by the Company of up to an aggregate principal amount of HK\$1,330,000,000 pursuant to the terms of the Subscription Agreement be and are hereby approved.
- (c) the allotment and issue of new shares (the “**Conversion Shares**”) (subject to adjustment) in the capital of the Company upon the exercise of the conversion rights attached to the Convertible Bonds be and are hereby approved; and the directors of the Company be and are hereby authorized to allot and issue the Convertible Bonds and the Conversion Shares accordingly.
- (d) any one director of the Company (“**Director**”) be and is hereby generally and unconditionally authorized to do all such acts and things, to sign and execute all such documents for and on behalf of the Company by hand, or in the case of execution of documents under seal, to do so jointly with any one of a second Director, a duly authorized representative of the Director or the secretary of the Company, and to take such steps as he may in his absolute discretion

* For identification purposes only

considers necessary, appropriate, desirable or expedient to give effect to or in connection with the Subscription and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Convertible Bonds and the Conversion Shares.”

By Order of the Board
Huajun Holdings Limited
Wu Jiwei
Chief Executive Officer and Executive Director

Hong Kong, 11 March 2016

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to complete, sign and return the form of proxy in accordance with the instructions printed thereon. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the aforesaid meeting or any adjournment thereof should they so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18th Floor, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
5. In the case of joint holders of shares, any one of such holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, that one of such joint holders whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.
6. The voting on the proposed resolution at the EGM will be conducted by way of poll.

As at the date of this notice, the Board comprises Mr. Meng Guang Bao (Chairman), Mr. Wu Jiwei (Chief Executive Officer) and Mr. Guo Song (Deputy Chief Executive Officer) as executive Directors; and Mr. Zheng Bailin, Mr. Shen Ruolei and Mr. Pun Chi Ping as independent non-executive Directors.