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華章科技控股有限公司

Huazhang Technology Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1673)

**(I) MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE TARGET GROUP INVOLVING THE ISSUE OF THE CONSIDERATION
SHARES UNDER SPECIFIC MANDATE;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Terms defined in the section headed “Definitions” of this circular have the same meanings when used in this cover page, unless the context otherwise requires.

A notice convening the EGM to be held at Room 805A, 8/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on 25 October 2017 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked. This circular is published on the website of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and on the website of the Company at <http://www.hzeg.com>.

10 October 2017

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DEFINITIONS

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

“Announcements”	the announcements of the Company dated 18 June 2017, 21 July 2017, 31 August 2017 and 29 September 2017 respectively in relation to the Sale and Purchase Agreement and the transaction contemplated thereunder
“Acquisition”	the sale and purchase of the Sale Shares and the Shareholders’ Loan pursuant to the Sale and Purchase Agreement
“Board”	the board of directors of the Company
“Business Day”	a day (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are open for business in Hong Kong
“Company”	Huazhang Technology Holding Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1673)
“Completion”	completion of the Acquisition
“Completion Date”	the date on which the transaction contemplated under the Sale and Purchase Agreement is completed, which shall be the seventh (7th) Business Day after the date on which the conditions of the Sale and Purchase Agreement are satisfied or waived by the Company or such other date as the parties to the Sale and Purchase Agreement may agree
“Connected Person(s)”	has the meaning given to it in the Listing Rules
“Consideration”	the aggregate consideration of HK\$205,140,000 payable by the Company to the Vendors for the Acquisition and which is to be satisfied by the allotment and issue of the Consideration Shares by the Company to the Vendors
“Consideration Shares”	being 80,447,059 new Shares to be issued and allotted at the issue price of HK\$2.55 per Share, credited as fully paid, by the Company to satisfy in full the Consideration

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Room 805A, 8/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on 25 October 2017 at 2:00 p.m. to approve, inter alia, the Sale and Purchase Agreement and the transaction contemplated thereunder including the allotment and issue of the Consideration Shares
“Enlarged Group”	the Group as enlarged by the Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Subsidiary”	Fu An 777 Logistics Warehouse Limited, a company incorporated under the laws of Hong Kong with limited liability on 9 March 2015 and a direct wholly-owned subsidiary of the Target Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Property Valuer”	Colliers International (Hong Kong) Limited
“Independent Third Party”	party who is not Connected Person(s) of the Company and who together with its ultimate beneficial owner are independent of the Company and of Connected Persons of the Company and their respective associates
“Issue Price”	the issue price of HK\$2.55 each per Consideration Share
“Latest Practicable Date”	3 October 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letter of Intent”	the letter of intent dated 23 May 2017 entered into between the Company and the Vendors relating to the sale and purchase of the Sale Shares and the Shareholders’ Loan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China (excluding Hong Kong, Macau and Taiwan)

DEFINITIONS

“Project Land”	the parcels of land located at the north side of No. 2, Erheng Road, Haigang, Gangkou Industrial Park, Gaoxin District, Yangjiang City, Guangdong Province, the PRC on which the WFOE is currently constructing a logistics and warehouse centre
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 17 June 2017 entered into between the Company and the Vendors relating to the sale and purchase of the Sale Shares and the Shareholders’ Loan (as amended by a supplemental agreement dated 29 September 2017 entered into among the Vendors as vendors and the Company as purchaser in respect of, <i>inter alia</i> , the extension of long stop date)
“Sale Shares”	the entire issued share capital of the Target Company
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Loan”	all shareholders’ loan due from the Target Group to the Vendors or their related parties as at Completion
“Specific Mandate”	the specific mandate proposed to be granted to the Directors in relation to the allotment and issue of the Consideration Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	shall have the meaning given to it in the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases as amended, supplemented or otherwise modified from time to time
“Target Company”	Fu An 777 Logistics Limited, a company incorporated under the laws of the British Virgin Islands with limited liability on 22 April 2015 and is wholly-owned by the Vendors (as to 75% by Swift Fortune Holdings Limited and 25% by 777 Logistics Warehouse Holdings Limited)

DEFINITIONS

“Target Group”	the Target Company, HK Subsidiary and WFOE
“Twelve Months Period”	the twelve months preceding the last full trading day for the Shares prior to the date of the Sale and Purchase Agreement, i.e. from 17 June 2016 to 16 June 2017
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendors”	Swift Fortune Holdings Limited (a company incorporated under the laws of the British Virgin Islands) and 777 Logistics Warehouse Holdings Limited (a company incorporated under the laws of the British Virgin Islands)
“Voluntary Announcement”	the announcement of the Company dated 23 May 2017 in relation to the Letter of Intent
“WFOE”	廣東富安三七物流倉儲有限公司 (in English, for identification purpose only, Guangdong Fu An 777 Logistics Warehouse Limited), a company established under the laws of the PRC with limited liability on 12 November 2015 and a direct wholly-owned subsidiary of the HK Subsidiary
“%”	per cent.
<i>* for identification purpose only</i>	

LETTER FROM THE BOARD



華章科技控股有限公司
Huazhang Technology Holding Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1673)

Executive Directors:

Mr. ZHU Gen Rong
Mr. WANG Ai Yan
Mr. JIN Hao
Mr. ZHONG Xin Gang

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-executive Directors:

Ms. CHEN Jin Mei
Mr. DAI Tian Zhu
Mr. KONG Chi Mo

Principal Place of Business in Hong Kong

Room 805A, 8/F
Tower 1, South Seas Centre
75 Mody Road, Tsim Sha Tsui
Kowloon
Hong Kong

Hong Kong, 10 October 2017

To the Shareholders

Dear Sir/Madam

**(I) MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE TARGET GROUP INVOLVING THE ISSUE OF THE CONSIDERATION
SHARES UNDER SPECIFIC MANDATE;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements in relation to the acquisition by the Company of (i) the Sale Shares and (ii) the Shareholders' Loan from the Vendors for a consideration of HK\$205,140,000, which will be settled in full by the Company's allotment and issue of the Consideration Shares at or after Completion.

The purpose of this circular is to provide the Shareholders with, among other things, (i) further details of the Sale and Purchase Agreement; (ii) a letter of advice from the Board to the Shareholders; (iii) financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation report of the Project Land and the construction erected thereon; and (vi) a notice convening the EGM.

LETTER FROM THE BOARD

SALE AND PURCHASE AGREEMENT

Date

17 June 2017

Parties to the Sale and Purchase Agreement

- (a) the Company as purchaser; and
- (b) the Vendors as vendors.

Each of the Vendors is engaged in investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and its ultimate beneficial owners is an Independent Third Party and is not related to or connected with each other.

One of the Directors, Mr. Zhu Gen Rong, has been a business partner with one of the ultimate owners of the Vendors and they have maintained a long-standing business relationship with one another. The Vendors were therefore introduced to the Company through Mr. Zhu.

Assets to be acquired

- (a) the Sale Shares (representing the entire issued share capital of the Target Company as at the Latest Practicable Date); and
- (b) the Shareholders' Loan.

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company. Information on the Target Group are set out in the paragraph headed "Information relating to the Target Group" below.

Consideration

The consideration payable by the Company to the Vendors under the Sale and Purchase Agreement is HK\$205,140,000 (equivalent to approximately US\$26,300,000) which will be satisfied in full by the Company's allotment and issue of the Consideration Shares to the Vendors upon Completion.

The Consideration was determined after arm's length negotiations between the Company and the Vendors and taking into consideration of various factors, including without limitation (i) the net liabilities of the Target Group, which amounted to approximately RMB5.47 million as at 30 April 2017, (ii) the capital to be injected by the Vendors to the WFOE for paying up the unpaid portion of the registered capital of the WFOE, which amounted to approximately RMB41.9 million

LETTER FROM THE BOARD

as at 30 April 2017, (iii) the Shareholders' Loan of approximately RMB126.2 million as at 30 April 2017, and (iv) the premium on the valuation of the Project Land of approximately RMB12.5 million as at 30 April 2017. Taking into account the abovementioned factors and the synergy to be created between the Project Land and the existing business of the Group after Completion as further elaborated under the paragraph headed "Information of the Group and reasons for entering into the Sale and Purchase Agreement" in this circular, the Consideration is considered by the Board as fair and reasonable and in the interests of the Group and the Shareholders as a whole.

In the course of negotiation of the Consideration, the Board has considered different kinds of settlement mechanism of the Consideration, including without limitation settlement by cash and allotment and issue of Shares. Since the Directors consider that the allotment and issue of Consideration Shares could allow the Company to maintain sufficient cash balance for the Group's daily operation and development of its new and potential business projects, in particular the development of the Project Land, having taken into account (i) the amount of cash that need to be paid out if the consideration for the Acquisition is settled by cash, (ii) alternative settlement methods such as settlement by cash as mentioned above, and (iii) the extent of the dilution effect on the shareholding of the existing Shareholders after the allotment and issue of the Consideration Shares to the Vendors as disclosed in the paragraph headed "Consideration Shares" below, the current settlement mechanism of the consideration is preferred and considered as in the best interest of the Company and the Shareholders as a whole.

Valuation of Project Land

Valuation of the Project Land with the existing constructions erected thereon has been carried out by our Independent Property Valuer which valued the aggregate market value of the Project Land with the existing construction erected thereon at approximately RMB204 million as at 31 August 2017. The valuation report of the Project Land with the existing construction erected thereon performed by our Independent Property Valuer is set out in Appendix IV to this circular.

In the valuation of the Project Land with the existing construction erected thereon, since there are no readily identifiable market comparable transactions, the Independent Property Valuer has adopted the depreciated replacement cost method based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the existing construction less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the land value, reference has been made to the sales evidence as available in the locality.

These comparables are adopted as they are considered relevant to the land in terms of physical and locational attributes. The site unit rate adopted in the valuation are consistent with the site unit rates of the relevant comparables after due adjustments in terms of location, term and size, etc.

LETTER FROM THE BOARD

In the course of the valuation conducted by the Property Valuer, the depreciated replacement cost of the existing construction is assessed at circa RMB133,000,000 while the land value is assessed at circa RMB71,000,000 (representing a site unit rate of RMB367 per square metre) as at 31 August 2017.

The Company has discussed with the Independent Property Valuer with regard to different valuation methodologies which might possibly be adopted for valuating the Project Land and the existing constructions erected thereon, including without limitation the market comparable method and the depreciated replacement cost method. Since there is no readily identifiable market comparable transactions for the Independent Property Valuer to adopt the market comparable method in valuating the Project Land and the existing constructions erected thereon as mentioned above, the Company, having reviewed the key assumptions adopted by the Independent Property Valuer and taking into account the actual condition of the Project Land and the existing constructions erected thereon, is of the view that the depreciated replacement cost method together with the key assumptions adopted in the valuation of the Project Land with the existing constructions erected thereon are fair and reasonable.

Consideration Shares

The Consideration Shares will be allotted and issued to the Vendors at a price of HK\$2.55 per Consideration Share, which was determined after arm's length negotiations between the Company and the Vendors with reference to the net asset value of the Company and the market prices of the Shares prior to the date of the letter of intent entered into between the Company and the Vendors on 23 May 2017, which represents:

- (i) a discount of approximately 6.6% to the closing price of HK\$2.73 per Share as quoted on the Stock Exchange on 23 May 2017;
- (ii) a discount of approximately 29.0% to the average closing price of approximately HK\$3.59 per Share as quoted on the Stock Exchange on the last five trading days immediately prior to the date of the Sale and Purchase Agreement;
- (iii) a discount of approximately 43.3% to the closing price of HK\$4.50 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 318.0% over the audited consolidated net asset value per Share of approximately HK\$0.61 as at 30 June 2017.

During the Twelve Months Period, the lowest closing price of the Shares was HK\$2.11 recorded on 16 December 2016, while the highest closing price of the Shares was HK\$3.69 recorded on the last two trading days prior to the date of the Sale and Purchase Agreement. The average daily closing price of the Shares during the Twelve Months Period is approximately HK\$2.43. The Issue Price is within the lowest and highest range, and represents a premium of approximately 4.90% of the daily average of the closing price of the Shares during the Twelve Months Period.

LETTER FROM THE BOARD

The Issue Price was agreed upon when the Letter of Intent was entered into on 23 May 2017. On the same date, the Company published the Voluntary Announcement and since then, the stock price of the Company had risen gradually and the closing price of the Shares reached HK\$3.69 on the last two trading days prior to the date of the Sale and Purchase Agreement, which was the highest closing price of the Shares recorded during the Twelve Months Period.

An analysis of the closing stock price of the Shares during the Twelve Months Period (excluding the period from the trading day immediately after the publication of the Voluntary Announcement to the last trading day immediately preceding the date of the Sale and Purchase Agreement, i.e. from 24 May 2017 to 16 June 2017) is set out below:

Average closing stock price of the Shares:	HK\$2.36
Lowest closing stock price of the Shares:	HK\$2.11
Highest closing stock price of the Shares:	HK\$2.85

As illustrated above, the Issue Price is slightly above the average closing stock price of the Shares and lies close to the middle point between the lowest and highest closing stock price of the Shares during the Twelve Months Period if the period from the trading day immediately after the publication of the Voluntary Announcement to the last trading day immediately preceding the date of the Sale and Purchase Agreement is excluded.

The Board, while negotiating on the Issue Price, had considered the trend of the stock price of the Shares prior to the execution of the Letter of Intent and had taken into account the potential positive impact on the stock price of the Shares which may be brought about by the Acquisition.

In addition, the average trading volume of the Shares during the Twelve Months Period is approximately 878,600 Shares, in which the number of Consideration Shares is approximately 92 times of the average trading volume of the Shares during the Twelve Months Period. Given that (i) the Issue Price is within the lowest and highest range of the closing price of the Shares during the Twelve Months Period, (ii) the daily turnover of the Shares during the Twelve Months Period is significantly lower when compared with the number of Consideration Shares, and (iii) the issue of Consideration Shares will broaden the Company's shareholder base and at the same time allow the Company to allocate its internal resources to the further development of the Group's business, the Directors are of the view that the Issue Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The total number of Consideration Shares to be allotted and issued upon Completion based on the Issue Price is 80,447,059. The number of Consideration Shares to be allotted and issued to each of the Vendors upon Completion is as follows:

Vendor	Number of Consideration Shares
Swift Fortune Holdings Limited	60,335,294 (75.0% of the Consideration Shares)
777 Logistics Warehouse Holdings Limited	20,111,765 (25.0% of the Consideration Shares)
Total:	80,447,059

LETTER FROM THE BOARD

The Consideration Shares represent approximately 13.18% of the issued share capital of the Company as at the Latest Practicable Date and approximately 11.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares will be allotted and issued by the Company pursuant to the Specific Mandate and when issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue and free and clear of any pledge, loan, encumbrance and restriction on transfer. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Conditions precedent

Completion is subject to the fulfillment of, inter alia, the following conditions precedent:

- (a) the Vendors having provided to the Company supporting documents (in substance and form satisfactory to the Company), including a capital verification report and the relevant business registration documents, proving that the unpaid portion of the registered capital of the WFOE in the amount of US\$6,040,000 has been fully paid up;
- (b) each of the Vendors having executed a deed of assignment of the Shareholders' Loan (in substance and form satisfactory to the Company), assigning the Shareholders' Loan and all the rights and obligations of the Vendors thereunder to the Company at HK\$1.00;
- (c) the Company, having convened an EGM at which resolutions shall have been duly passed by the Shareholders to approve the terms and conditions of the Sale and Purchase Agreement and the transactions contemplated thereunder (including without limitation to the allotment and issue of the Consideration Shares);
- (d) the Company having completed the due diligence investigations on the legal, financial and business aspects of the Target Group in relation to its structure, assets (including the Project Land), liabilities, business and prospects and, with the Company's absolute discretion, is satisfied with the results of the due diligence investigations;
- (e) the Company having obtained a valuation report on the Project Land (in substance and form satisfactory to the Company) prepared by a valuer which possesses an internationally recognised qualification confirming that the value of the Project Land is not less than RMB59,364,526;
- (f) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of and permission to deal in, the Consideration Shares;
- (g) the Vendors having engaged a firm of lawyers qualified to practice law in the PRC which is acceptable to the Company to issue a PRC legal due diligence report (in substance and form satisfactory to the Company) addressing to the Company stating (i) the incorporation and subsistence of the WFOE; (ii) that the WFOE had legally obtained the land use certificate of the Project Land, its land use rights are clean

LETTER FROM THE BOARD

without any dispute, defect and encumbrance and the Project Land has not been seized and there is no circumstances leading to such seizure; (iii) that the WFOE has paid the transfer fee, tax and relevant expenses according to the transfer agreement of the land use rights; (iv) that the entire equity interest of the WFOE is legally held by the HK Subsidiary without any defect and encumbrance; (v) the transfer of the Sale Shares will not affect the legality of the HK Subsidiary's holding of the equity interest of the WFOE; and (vi) other matters considered as necessary by the Company;

- (h) the warranties set out in the Sale and Purchase Agreement remaining true and correct as at the date of Completion and as if repeated at all times between the date of the Sale and Purchase Agreement and the date of Completion; and
- (i) the members of the Target Company having passed resolutions approving the transfer of the Sale Shares and having waived their pre-emptive rights in relation to the transfer of the shares in the Target Company.

The Company may waive in writing any of the conditions specified above (save and except conditions (c), (f) and (i)) at any time. If any of the conditions specified above has not been satisfied or waived by 30 November 2017 (or such later date to be agreed between the parties to the Sale and Purchase Agreement in writing), then the Sale and Purchase Agreement shall lapse on 1 December 2017 and have no further effect and the parties shall be released from all their respective obligations under the Sale and Purchase Agreement (save to the clauses that survive its termination as provided for under the Sale and Purchase Agreement).

As at the Latest Practicable Date, the conditions precedents specified in subparagraphs (d), (e) and (g) above have been fulfilled and the Company had no intention to waive any of the above conditions and will not waive any of the conditions if such waiver will materially affect the interest of the Shareholders.

With regard to the condition precedent (d) above, the legal due diligence was conducted by the legal advisers as to PRC laws appointed by the Vendors and such appointment was agreed and approved by the Company and the Company has made reasonable enquiries to confirm that the aforesaid legal advisers as to PRC laws is independent from the Vendors and the Company. The said legal advisers as to PRC laws had conducted legal due diligence on certain aspects of the WFOE, including without limitation the structure, incorporation, business, conditions of the material assets, material contracts, litigation, taxation, labour and insurance policies of the WFOE, and issued a due diligence report in relation to the matters mentioned above. Further, the Company has conducted financial due diligence on the Target Group by reviewing their financial records. Having reviewed the due diligence report issued by the said legal advisers as to PRC laws and the accountants' report of the Target Group as set out in Appendix II to this circular, the Board is satisfied with the results of the abovementioned due diligence investigation and therefore concluded that the condition precedent (d) above has been satisfied.

Completion

Upon fulfillment and/or waiver of all the conditions precedent set out above, Completion of the transaction contemplated under the Sale and Purchase Agreement shall take place at the Hong Kong offices of the Company at 2:00 p.m. on the Completion Date or at such other place or time as may be agreed among the parties to the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Post-completion obligations

Pursuant to the terms of the Sale and Purchase Agreement, upon Completion, the Vendors shall:

- (a) assist in the alteration of the authorised signatories of the bank accounts of the Target Group maintained with the banks; and
- (b) assist in the handling and coordination of the assignment of the Shareholders' Loan and the relevant arrangements;

and the Company shall within two months upon Completion, change the company name of each member of the Target Group so that its name will not contain "Fu An" or "777", undergo the relevant transfer procedures and register with all relevant departments.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$80,000,000 divided into 8,000,000,000 Shares of HK\$0.01 each and 610,236,622 fully paid up Shares were in issue. Save and except for the 5.0% convertible bonds due 2019 in an aggregate principal amount of HK\$100,000,000 issued by the Company as issuer to Kaiser Asset Management Limited as subscriber (please refer to the announcements of the Company dated 29 March 2017 and 30 March 2017 respectively for further details), there were no outstanding convertible securities issued or options granted which carry rights to acquire Shares as at the Latest Practicable Date.

Details of the shareholding structure of the Company (i) as at the Latest Practicable Date, and (ii) immediately after Completion and the allotment and issue of the Consideration Shares, assuming that there is no other change in the share capital of the Company are set out below:

Shareholders	As at the Latest Practicable Date		Immediately after Completion and allotment and issue of the Consideration Shares	
	No. of Shares	Approximately %	No. of Shares	Approximately %
Florescent Holding Limited (<i>Note</i>)	411,854,000	67.49	411,854,000	59.63
Zhu Gen Rong	608,000	0.10	608,000	0.09
Wang Ai Yan	200,000	0.03	200,000	0.03
Swift Fortune Holdings Limited	—	—	60,335,294	8.74
777 Logistics Warehouse Holdings Limited	—	—	20,111,765	2.91
Other public Shareholders	197,574,622	32.38	197,574,622	28.60
	<u>610,236,622</u>	<u>100.00</u>	<u>690,683,681</u>	<u>100.00</u>

Note: Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 61.31% by Mr. Zhu Gen Rong, the chairman and executive director of the Company.

LETTER FROM THE BOARD

The Acquisition will not result in a change in control of the Company.

INFORMATION RELATING TO THE TARGET GROUP

The Target Company is an investment holding company incorporated under the laws of the British Virgin Islands on 22 April 2015. The HK Subsidiary is an investment holding company incorporated under the laws of Hong Kong on 9 March 2015 and is a direct wholly-owned subsidiary of the Target Company.

The WFOE is a limited liability company established under the laws of the PRC on 12 November 2015 with a registered capital of US\$25,000,000 and is a direct wholly-owned subsidiary of the HK Subsidiary.

The WFOE has not commenced its business and is currently constructing a logistics and warehouse centre on the Project Land which, upon completion, could provide bonded logistics services of raw materials, equipment and supplies for papermaking enterprises and raw materials suppliers for papermaking enterprises in the southern part of PRC. It is expected that the logistics and warehouse centre on the Project Land will have the required facilities to be utilised as a platform to provide modernised bonded warehousing services, terminal services, and services relating to importing and exporting goods and ancillary services, customs and clearance and regional distribution for papermaking enterprises etc. Owing to the Target Group's business nature, there is no major suppliers.

The main construction of the four warehouses of the first stage of development of the Project Land has been substantially completed while the ancillary facilities such as roads, office building and securities system are under construction. The warehouses will be used for storing raw materials, equipment and supplies for the Target Group's customers. The ancillary office building will be used for housing staff which is necessary for the provision of bonded warehouse services and other ancillary services. The first stage of development of the Project Land is expected to be completed by the last quarter of 2017 and the logistics and warehouse centre is expected to come into operation in the first quarter of 2018.

It is expected that six additional warehouses will be constructed in the second stage of development of the Project land. As at the Latest Practicable Date, the Target Group had not fixed any plan with regard to the commencement of the second stage of development of the Project Land.

The approvals obtained by the WFOE include (i) the industrial and commercial registration certificate dated 23 December 2016 issued by the Yangjiang Industry and Commerce Department; (ii) certificate of approval dated 9 October 2016 and (iii) registration certificate of customs export supervised bonded warehouse issued by Yangjiang Customs. As at the Latest Practicable Date, the WFOE had obtained all approvals from the relevant PRC authorities necessary for conducting logistics and warehouse business on the Project Land.

The Project Land has a total site area of approximately 193,203 square meters. The Project Land, which is free from any charge or mortgage, was granted by the PRC government with a lease period from 23 December 2015 to 22 December 2065 specified in the land use right certificate.

As at the Latest Practicable Date, the Target Group had not entered into any sales contracts.

The working capital of the Target Group is expected to be funded by the internal resources of the Target Group and, if necessary, other fund raising exercises such as external borrowings.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Target Group had 6 full-time employees. The chairman of the Target Company has management experience with corporations conducting business involving, amongst others, warehousing and logistics, international trade and supply chain management. The general manager of the Target Company has over 30 years of work experience in papermaking enterprises and possesses management experience in warehousing and logistics, supply chain management and commodities procurement. The two executive directors of the Target Group are Ms. Lin Yuzhen and Mr. Li Zhuobin respectively. Ms. Lin Yuzhen is also the general manager of the Target Company and her previous work experience has been disclosed as above. Mr. Li Zhuobin has management experience in project management, infrastructure development and international trade. The directors and employees of the Target Group will remain after Completion.

The Company's management has solid experience in the papermaking industry in PRC and the Company has well-developed networks with enterprises in the papermaking industry. The Directors consider that the Company's expertise and networks in the papermaking industry could support the development of the Target Group's business.

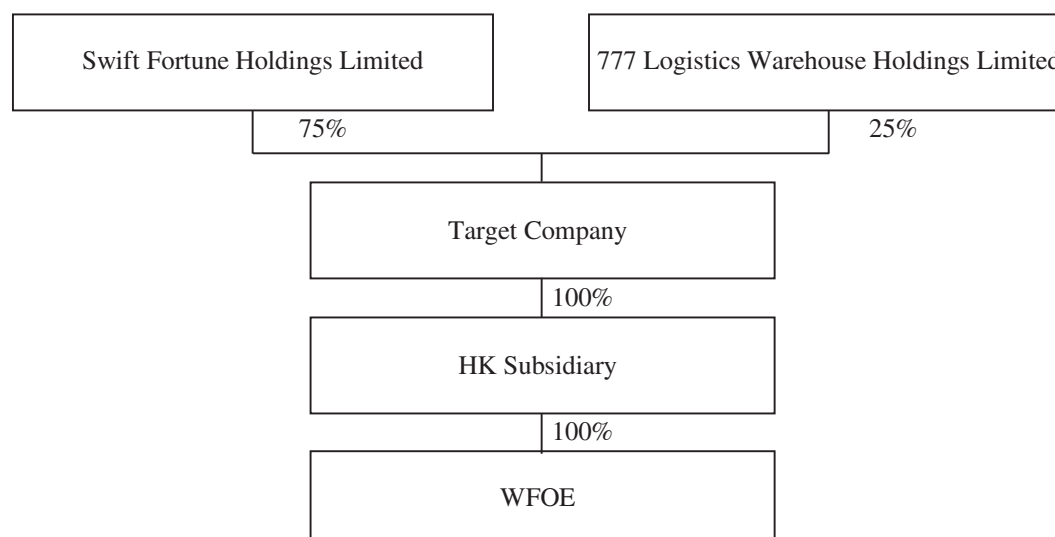
As at the Latest Practicable Date, save as disclosed in this circular, the Company did not have any further commitment to the Target Group.

The Directors consider that the risks set out below are associated with the Acquisition:

- the business success of the Target Group depends on its ability to recruit and retain members of senior management;
- the business and prospects of the Target Group could be materially and adversely affected if it is not able to conduct its business successfully; and
- changes in relevant governmental regulations and policies.

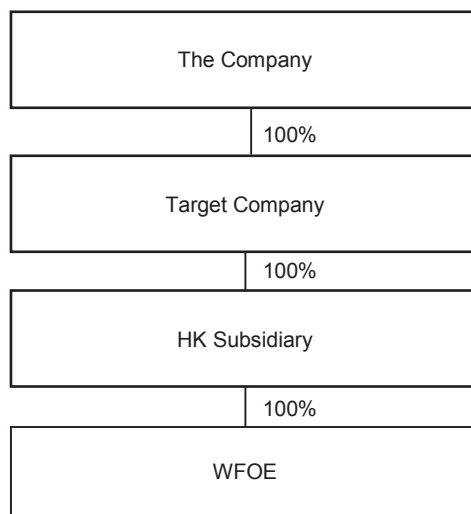
Corporate structure

The corporate structure of the Target Group as at the Latest Practicable Date is as follows:



LETTER FROM THE BOARD

The corporate structure of the Target Group immediately after Completion is as follows:



Financial information of the Target Group

The audited net liability of the Target Group was approximately RMB5.5 million as at 30 April 2017. The audited net loss attributable to the Target Group for the period from 22 April 2015 (the date of incorporation) to 31 December 2015, the year ended 31 December 2016 and the four months ended 30 April 2017 in accordance with the Hong Kong Financial Reporting Standards were as follows:

	From 22 April 2015 (date of incorporation) to 31 December 2015 (audited) RMB'000	Year ended 31 December 2016 (audited) RMB'000	Four months ended 30 April 2017 (audited) RMB'000
Net loss before and after taxation and extraordinary items	<u>(25)</u>	<u>(1,930)</u>	<u>(3,512)</u>

The HK Subsidiary incurred HK\$5,500 start-up cost for the period from its date of incorporation (9 March 2015) to the date prior to the date of incorporation of the Target Company (21 April 2015), which represents the entire financial affair of the HK Subsidiary during such period. The HK Subsidiary recorded the start-up cost as an administrative expense upon the incurrence of the expenditure and is included in amount due to related parties in the Target Company's consolidated balance sheet as at 31 December 2015 and 2016 and 30 April 2017.

Amounts due to/from related parties

Save for the amounts due to Jiang Men 777 Logistics Warehouse Limited of approximately RMB48.7 million as at 30 April 2017 as disclosed on page II-27 of Appendix II to this circular which will not be assigned to the Company upon Completion and as expected by the Directors after considering the current financial resources of the Group, will not be repaid within 9 months after Completion, Mutual Wealth Industrial Limited and Fu An International Company Limited had made an arrangement to settle the relevant amounts due from/due to related parties as disclosed on pages II-26 and II-27 of this circular and the outstanding balance of amount due to related parties after the aforesaid settlement will be waived by the Company on or before the Completion.

LETTER FROM THE BOARD

FINANCIAL EFFECTS OF THE ACQUISITION

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

As disclosed in the annual report for the year ended 30 June 2017, the audited total assets and liabilities of the Group were approximately RMB627,318,000 and RMB307,000,000 respectively. As set out in Appendix III to this circular, the audited total assets and liabilities of the Target Group as at 30 April 2017 were approximately RMB273,338,000 and RMB278,804,000 respectively and the unaudited pro forma total assets and pro forma total liabilities of the Enlarged Group following the acquisition as disclosed on pages 11 and III-2 to page III-3 of this circular will be RMB957,812,000 and RMB462,744,000 respectively.

The financial effects of the acquisition on the Group are set out in Appendix III to this circular and as follows:

- (a) As of 30 June 2017, the audited consolidated total assets of the Group were approximately RMB627,318,000. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated total assets of the Enlarged Group would have increased to approximately RMB957,812,000.
- (b) As of 30 June 2017, the audited consolidated total liabilities of the Group were approximately RMB307,000,000. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma consolidated total liabilities of the Enlarged Group would have increased to approximately RMB462,744,000.
- (c) As of 30 June 2017, the audited net assets of the Group was approximately RMB320,318,000. According to the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the unaudited pro forma net assets of the Enlarged Group would have increased to approximately RMB495,068,000.

Please refer to Appendix III to this circular for more details of the unaudited pro forma financial information of the Enlarged Group and the basis of preparation thereon.

As set out in the financial information of the Target Group in Appendix II to this circular, the loss after tax of the Target Group for the four months ended 30 April 2017 amounted to approximately RMB3.51 million.

While there is no immediate material impact on earnings of the Group, after the Completion, profit/loss after tax of the Target Group will be consolidated into the Group's financial statements.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP AND REASONS FOR ENTERING INTO THE SALE AND PURCHASE AGREEMENT

The Group is principally engaged in the research and development, manufacture and sale of industrial automation systems, sludge treatment products and related services. Since year 2014, the Group has been developing the project contracting services business, an one-stop service which includes the provision of “design”, “production” and “service”. The Group’s industrial automation systems and sludge treatment products are custom-built in accordance with the specifications and requirements provided by the Group’s customers, which include various papermaking enterprises in the PRC. In addition, the Group is also engaged in the provision of after-sales and other services to the Group’s existing customers.

It was mentioned in the annual report for the year ended 30 June 2017 that the Group had made remarkable achievements along with the paper industry in year 2017. For the year ended 30 June 2017, the Group’s turnover and profit were approximately RMB416 million and approximately RMB30.4 million respectively, representing an increase of approximately 27.1% and approximately 12.1% as compared with the same period in year 2016. The increase was mainly attributable to the Group’s successful transformation from the provision of industrial automation systems to the provision of project contracting services for the paper industry.

For the year ended 30 June 2017, the contracts signed by the Group had a total value of approximately RMB644.3 million, out of which the contract value in respect of project contracting services for the paper industry accounted for about RMB437.9 million, which represents approximately 68.0% of the total contract value for the same period and an increase of approximately 52.2% as compared to the same period in year 2016.

The Directors are of the view that the current demand on project contracting services for the paper industry is strong, mainly due to the lack of technologies and engineers in many large and medium-sized papermaking enterprises. The Group has more than 15 years’ experience in the paper industry, with more than 100 engineers and project management personnel who can assist customers to build different papermaking production lines and provide solutions.

The Target Group is currently constructing a logistics and warehouse centre on the Project Land located in the Guangdong Province. Upon completion of the construction which is expected to be around the end of year 2017, the centre can provide bonded logistics services of raw materials, equipment and supplies for papermaking enterprises in the PRC. The paper industry has been developing rapidly in Guangdong Province of the PRC. According to the Almanac of China Paper Industry 2017 published by the China Technical Association of Paper Industry, there were over 180 papermaking enterprises in Guangdong Province of the PRC and the profits generated by the papermaking and paper product manufacturing industries in Guangdong Province in year 2016 amounted to approximately RMB11.9 billion, representing an increase of approximately 35.7% as compared with the same period in year 2015, while the revenue generated by the main business of the papermaking enterprises in Guangdong Province in year 2016 amounted to approximately RMB205.2 billion, representing an increase of approximately 8.5% as compared with the same period in year 2015. Although the paper industry in the PRC is active, the supply of raw materials for paper industry within the PRC, such as paper pulp, is limited and papermaking enterprises rely heavily on imported paper pulp. According to the Competitiveness Report

LETTER FROM THE BOARD

of China's Paper Industry in 2016 published by the China National Pulp and Paper Research Institute, the PRC recorded a net import of paper pulp of approximately 21.0 million tons in year 2015 and had been the largest pulp importing country in the world. Considering the market condition of the paper industry in Guangdong Province of the PRC, the Board is of the view that having a logistic and warehouse centre in the Guangdong Province would support and complement the Group's one-stop project contracting services to the papermaking enterprises in the Guangdong Province by providing logistic and storage services for the raw materials imported for the papermaking enterprises.

Having further considered that (a) due to the improving national living standard and the shift of market consumption and logistic pattern driven by online shopping, the demand for the production equipment for packaging paper and household paper is strong, (b) in response to the latest policies implemented by the PRC government, the paper manufacturing industry in the PRC has to leverage on intelligence, automation, human resources and technological innovation to speed up the reform of the enterprises for long-term development and will hence bring numerous business opportunities to the Group, and (c) the Acquisition could help strengthening the Group's after-sales and maintenance services as the Group would be able to store the components of the machines and automation systems of the Group in the logistic and warehouse centre and the technicians of the Group staying at the logistic and warehouse centre could provide immediate and all-round support and services to the Group's customers in the Guangdong Province, the Board is of the view that through acquiring the Target Group, the Company will be able to establish a one-stop integrated service platform by providing comprehensive and more efficient project contracting services to the papermaking enterprises, including logistics and storage services, and all-round maintenance services, and the Directors believe that it would help the Group to expand its customer base and market share in the market segment of papermaking industry, especially in the Guangdong Province. Since as far as the Directors are aware, there is no other logistics and warehouse centre of similar scale and size in proximity to the Project Land, the Directors expect that it would help meeting potential future increasing demands of the Group's products and services in relation to the paper industry through the logistics and warehouse centre.

As the Consideration will be fully satisfied by the Consideration Shares, there will be no financial burden to fund the Acquisition. The Directors are of the view that the terms and conditions of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company had made announcements with regard to the following potential acquisitions:

- (i) the potential acquisition of the entire equity interest in 無錫銳帆技術有限公司 (Wuxi Refine Technology Co., Ltd), a company incorporated in the PRC with limited liability and is principally engaged in the business of maintenance and upgrade services (please refer to the Company's announcement dated 31 May 2017 for further details); and
- (ii) the potential acquisition of the entire equity interest in (a) 固安安騰精密篩分設備製造有限公司 (Gu'an Anteng Precision Screening Equipment Manufacturing Co., Ltd.*), a company incorporated in the PRC and is principally engaged in manufacturing and sale of precision screening equipment in the PRC, and (b) 固安騰飛篩板有限公司 (Gu'an Tengfei Screening Plates Co., Ltd.*), a company incorporated in the PRC and is principally engaged in manufacturing and sale of screening plates in the PRC (please refer to the Company's announcement dated 2 October 2017 for further details).

LETTER FROM THE BOARD

As at the Latest Practicable Date, the Company has no intention or plan to downsize or dispose of its existing businesses after Completion. As disclosed in the paragraph headed “Continue strategic acquisition and enhance industry chain service” in the 2017 annual report of the Company, the Group will continue to seek proper acquisition opportunities to enhance the services for the entire industry chain of papermaking industry and provide the papermaking industry with professional, all encompassing services. Potential acquisition targets include leading companies in both upstream and downstream of the industry chain, including but not limited to suppliers of core parts and logistic companies. In selection of an acquisition target, the Group will consider its position in the industry and its reputation and operational capability, as well as whether its business complements the Group’s business. The Group believes that ongoing strategic acquisition will bring about synergy for the Group, enable the Group to have more core technologies in papermaking equipment, and benefit the Group’s export business. The Company will make announcement in accordance with the Listing Rules so long as it has entered into any agreement, arrangement, understanding or undertaking (whether formal or informal, express or implied) in relation to any future acquisition.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transaction contemplated under the Sale and Purchase Agreement is higher than 25% but below 100%, the entering into thereof constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders’ approval requirements under Chapter 14 of the Listing Rules.

EGM

The Consideration Shares will be allotted and issued under the Specific Mandate to be sought from the Shareholders at the EGM.

The notice convening the EGM to be held at Room 805A, 8/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on 25 October 2017 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. An ordinary resolution will be proposed to the Shareholders at the EGM to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder. The votes on the resolution proposed to be approved at the EGM will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A form of proxy for use at the EGM is accompanied with this circular. A proxy need not be a member of the Company. Whether or not you intend to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has material interest in the Sale and Purchase Agreement and therefore, no Shareholder would be required to abstain from voting at the EGM.

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.

RECOMMENDATION

On the basis of the information set out in this circular, the Directors consider that the transaction contemplated under the Sale and Purchase Agreement and the proposed grant of the Specific Mandate to allot and issue the Consideration Shares is in the interests of the Company and the Shareholders as a whole and is for the benefits of the Shareholders, and accordingly, recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the proposed grant of the Specific Mandate to allot and issue the Consideration Shares and the transaction contemplated under the Sale and Purchase Agreement.

Yours faithfully,
By order of the board
Huazhang Technology Holding Limited
ZHU GEN RONG
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 30 June 2015, 2016 and 2017 are disclosed in the annual reports of the Company for the three years ended 30 June 2015, 2016 and 2017, respectively. The said annual reports have been published and available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.hzeg.com>).

Please see below the hyperlinks to the relevant annual reports of the Group:

- Annual report of the Group for the year ended 30 June 2015:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1009/LTN20151009158.pdf>
- Annual report of the Group for the year ended 30 June 2016:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/1011/LTN20161011809.pdf>
- Annual report of the Group for the year ended 30 June 2017:
<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0921/LTN20170921075.pdf>

2. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 August 2017, being the latest practicable date for the purpose of preparing this indebtedness statement, the Enlarged Group had the following borrowings:

RMB'000

The Group

Interest-bearing borrowings	3,668
Convertible Bonds	67,378

Saved as disclosed, as at 31 August 2017, property, plant and equipment, prepaid land lease payments and investment properties of the Group amounting to approximately RMB32,199,445, RMB3,353,804 and RMB6,300,537 were pledged as collateral for the Group's banking facilities.

RMB'000

The Target Group

Amounts due to related parties	61,314
Amounts due to shareholders	126,191

Saved as disclosed, all of the above borrowings of the Enlarged Group are unguaranteed and unsecured.

Disclaimer

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any other outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 31 August 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the effects of the Completion and the financial resources available to the Enlarged Group, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months from the date of publication of this circular.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the research and development, manufacture and sale of industrial automation systems, sludge treatment products and related services. In addition, the Group is also engaged in the provision of after-sales and other services to the Group's existing customers. The Group has over 15 years of experience in the provision of equipment to the paper industry and will seek to further expand this business segment.

Under the impact of various factors such as tightened environmental protection policies and heightened elimination of backward production capacity in the paper industry in the PRC, there was a massive shutdown of industry players and the industry has evolved into an increasingly concentrated industry. Large paper enterprises are expected to invest more resources to expand production capacity and thus strengthen their position in the market. Meanwhile, small and medium enterprises are expected to upgrade their existing equipment or purchase advanced equipment to enhance their competitiveness. The government has also demanded implementation of energy conservation and emission reduction measures nationwide in full swing by releasing further environmental protection requirements in year 2017. Such moves by the government will also increase the capital expenditure of paper manufacturers to invest in environmentally friendly facilities and equipment to meet the tightened environmental protection requirements and therefore present new opportunities for the Group. In January 2017, the Group signed an agreement with a Taiwanese environmental protection company in respect of treatment of paper sludge and solid waste in the paper industry. The Group will become the only strategic partner of the Taiwanese company in the paper industry for selling equipment and solutions for treatment of paper sludge and waste to paper manufacturers.

Despite the existing overcapacity problem in the papermaking industry, there are yet many new paper production lines and undersupplied products, such as household paper and packaging paper, in the market in the PRC. With the Group's industry experience built up over the years, the Group has been able and will continue to deliver a comprehensive range of paper production line solutions to its customers by leveraging its own advantages in the industry. By doing this, it can both offer support to production line design as well as assist customers in gaining access to financing channels, thus enabling the Group to further transform from merely an equipment supplier to an integrated equipment service provider. Currently, the demand on project contracting services for the paper industry is strong, mainly due to the lack of technologies and engineers in many large and medium-sized papermaking enterprises. The Group will continue to assist customers to build different papermaking production lines and provide project contracting services.

The Group also aims to expand to the international papermaking market. During the year ended 30 June 2017, the Group had set out overseas business division to explore the overseas markets. Staff of overseas business division have visited papermaking enterprises in countries in the Middle East and Southeast Asia. The Group had contacted with a number of potential customers to explore business opportunities.

Going forward, the Group will also (i) increase its investment in research and development, enhance its digital and smart products and services to meet the needs of the papermaking industry, improve its product quality while effectively controlling costs and increase its efficiency through collaboration with universities or technology corporations; (ii) in addition to wastewater treatment, render support to paper manufacturers in the treatment of sludge and solid waste produced in the papermaking process; and (iii) provide inexpensive and high qualities equipment and services to the papermaking enterprises in the regions falling under the "Belt and Road" initiative.



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The Directors

Huazhang Technology Holding Limited

Dear Sirs,

We report on the historical financial information of Fu An 777 Logistics Limited (the “Target Company”) and its subsidiaries (together, the “Target Group”) set out on pages 3 to 31, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for the period from 22 April 2015 (the date of incorporation) to 31 December 2015, the year ended 31 December 2016, and the four months ended 30 April 2017 (the “Relevant Periods”), and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2015 and 2016 and 30 April 2017 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages 3 to 21 forms an integral part of this report, which has been prepared for inclusion in the circular of Huazhang Technology Holding Limited (the “Company”) dated 10 October 2017 (the “Circular”) in connection with the proposed acquisition of 100% equity interests of the Target Company by the Company.

Directors’ responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2015 and 2016 and 30 April 2017 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation set out in notes 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2016 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 3 have been made.

Dividends

The Target Company was incorporated on 22 April 2015 and no dividends have been paid by the Target Company since its date of incorporation.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Yours faithfully,

Ernet & Young

Certified Public Accountants

Hong Kong

10 October 2017

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

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

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB").

(A) Consolidated Statements of Profit or Loss and Other Comprehensive Income

		From 22 April 2015 (date of incorporation to		Year ended 31 December		Four months ended 30 April	
	Section II	31 December	31 December	2016	2017		
	Notes	2015 RMB	2016 RMB	2016 RMB	2017 RMB		
				(unaudited)			
Other income and gains	4	–	13,386	445	13,113		
Administrative expenses		(14,042)	(1,942,664)	(71,656)	(1,284,037)		
Finance costs		(10,472)	(1,156)	–	(2,240,980)		
LOSS BEFORE TAX	5	(24,514)	(1,930,434)	(71,211)	(3,511,904)		
Income tax expense		–	–	–	–		
LOSS FOR THE PERIOD/YEAR		(24,514)	(1,930,434)	(71,211)	(3,511,904)		
Exchange differences related to foreign operations		4	45	–	(8)		
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD/YEAR, NET OF TAX		(24,510)	(1,930,389)	(71,211)	(3,511,912)		

I HISTORICAL FINANCIAL INFORMATION *(continued)***(B) Consolidated Statements of Financial Position**

	Section II	As at 31 December		As at 30 April
	<i>Notes</i>	2015	2016	2017
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
NON-CURRENT ASSETS				
Property, plant and equipment	8	–	87,074,442	108,185,691
Prepaid land lease payments	9	–	57,679,615	57,283,872
Total non-current assets		–	144,754,057	165,469,563
CURRENT ASSETS				
Other current assets	12	–	3,257,746	4,963,178
Prepaid land lease payments	9	–	1,187,231	1,187,231
Prepayments	10	11,576,260	222,779	137,027
Amount due from related parties	19	649	–	88,584,000
Cash and cash equivalents	11	410	13,428,820	12,996,970
Total current assets		11,577,319	18,096,576	107,868,406
CURRENT LIABILITIES				
Amounts due to shareholders	19	–	118,331,074	126,191,074
Amounts due to related parties	19	11,592,001	36,530,837	140,075,407
Other payables and accruals	13	9,183	2,442,976	5,037,654
Total current liabilities		11,601,184	157,304,887	271,304,135
NET CURRENT LIABILITIES		(23,865)	(139,208,311)	(163,435,729)
TOTAL ASSETS LESS CURRENT LIABILITIES		(23,865)	5,545,746	2,033,834
NON-CURRENT LIABILITIES				
Deferred government grants	14	–	7,500,000	7,500,000
Total non-current liabilities		–	7,500,000	7,500,000
Net liabilities		(23,865)	(1,954,254)	(5,466,166)
EQUITY				
Equity attributable to owners of the parent				
Share capital	15	645	645	645
Accumulated losses		(24,514)	(1,954,948)	(5,466,852)
Other reserves	16	4	49	41
Total equity		(23,865)	(1,954,254)	(5,466,166)

Name of director*
Director

Name of director*
Director

I HISTORICAL FINANCIAL INFORMATION (*continued*)

(C) Consolidated Statements of Changes in Equity

	Section II <i>Notes</i>	Share capital <i>RMB</i>	Accumulated losses <i>RMB</i>	Other reserves <i>RMB</i>	Total equity <i>RMB</i>
At 22 April 2015		–	–	–	–
Loss for the period from the incorporation date to 31 December 2015		–	(24,514)	–	(24,514)
Exchange differences related to foreign operations		–	–	4	4
Total comprehensive loss for the period		–	(24,514)	4	(24,510)
Issue of shares	15	645	–	–	645
At 31 December 2015 and 1 January 2016		<u>645</u>	<u>(24,514)</u>	<u>4</u>	<u>(23,865)</u>
Loss for the year		–	(1,930,434)	–	(1,930,434)
Exchange differences related to foreign operations		–	–	45	45
Total comprehensive loss for the year		–	(1,930,434)	45	(1,930,389)
At 31 December 2016 and 1 January 2017		<u>645</u>	<u>(1,954,948)</u>	<u>49</u>	<u>(1,954,254)</u>
Loss for the period		–	(3,511,904)	–	(3,511,904)
Exchange differences related to foreign operations		–	–	(8)	(8)
Total comprehensive loss for the period		–	(3,511,904)	(8)	(3,511,912)
At 30 April 2017		<u>645</u>	<u>(5,466,852)</u>	<u>41</u>	<u>(5,466,166)</u>
At 31 December 2015 and 1 January 2016		<u>645</u>	<u>(24,514)</u>	<u>4</u>	<u>(23,865)</u>
Loss for the period (unaudited)		–	(71,211)	–	(71,211)
Total comprehensive loss for the period (unaudited)		–	(71,211)	–	(71,211)
At 30 April 2016 (unaudited)		<u>645</u>	<u>(95,725)</u>	<u>4</u>	<u>(95,076)</u>

I HISTORICAL FINANCIAL INFORMATION *(continued)***(D) Consolidated Statements of Cash Flows**

		From 22 April 2015 (date of incorporation) to 31 December 2015 RMB	Year ended 31 December 2016 RMB	Four months ended 30 April 2016 RMB (unaudited) 2017 RMB	
	Section II Notes				
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(24,514)	(1,930,434)	(71,211)	(3,511,904)
Adjustments for:					
Interest income	4	–	(13,131)	–	(8,113)
Interest expense	5	10,472	–	–	2,232,802
Amortisation of prepaid land lease payments	9	–	494,679	–	395,743
		(14,042)	(1,448,886)	(71,211)	(891,472)
(Increase)/decrease in prepayments		(760)	(222,019)	(232,044)	85,752
Increase in other payables and accruals		9,183	2,745,082	–	2,745,797
Net cash flows (used in)/generated from operating activities		(5,619)	1,074,177	(303,255)	1,940,077
CASH FLOWS FROM INVESTING ACTIVITIES					
Loan to a related party		–	–	–	(88,584,000)
Purchases of items of property, plant and equipment		–	(90,096,545)	–	(22,626,795)
Receipt of government grants	14	–	7,500,000	–	–
Payments for acquisition of prepaid land lease payments		(11,575,500)	(47,786,025)	(47,946,006)	–
Interest received		–	13,131	–	8,113
Net cash flows used in investing activities		(11,575,500)	(130,369,439)	(47,946,006)	(111,202,682)
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of shares	15	–	645	–	–
Borrowings from shareholders		–	118,331,074	45,620,000	7,860,000
Borrowings from related parties		11,581,529	24,391,904	2,639,406	100,970,763
Net cash flows from financing activities		11,581,529	142,723,623	48,259,406	108,830,763
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		410	13,428,361	10,145	(431,842)
Effect of foreign exchange rate changes		–	49	–	(8)
Cash and cash equivalents at beginning of period/year		–	410	410	13,428,820
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR		410	13,428,820	10,555	12,996,970
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	11	410	13,428,820	10,555	12,996,970

I HISTORICAL FINANCIAL INFORMATION *(continued)***(E) Statements of Financial Position of the Company**

	Section II	As at 31 December		As at 30 April
	Notes	2015	2016	2017
		RMB	RMB	RMB
NON-CURRENT ASSETS				
Long-term investment in a subsidiary		1	1	1
Total non-current assets		1	1	1
CURRENT ASSETS				
Amount due from a related party	19	649	–	–
Cash and cash equivalents	11	–	4,473	4,429
Total current assets		649	4,473	4,429
CURRENT LIABILITIES				
Other payables	13	(1)	(3,780)	(3,744)
Total current liabilities		(1)	(3,780)	(3,744)
NET CURRENT ASSETS		648	693	685
TOTAL ASSETS LESS CURRENT LIABILITIES				
		649	694	686
Net assets		649	694	686
Equity				
Share capital		645	645	645
Other reserves		4	49	41
Total equity		649	694	686

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Fu An 777 Logistics Limited (the “Target Company”) is a limited liability company incorporated in the British Virgin Islands on 22 April 2015. Its registered office is located at the offices of Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

The Target Company is a holding company and conducts its businesses primarily through its subsidiaries. The main operating entity of the Target Group, Guangdong 777 Logistics Warehouse Limited, was incorporated in November 2015 and will be principally engaged in import and export trade, and warehouse and logistics services in the People’s Republic of China (the “PRC”).

The principal activities of the Target Group have not changed since incorporation.

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Notes	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company		Principal activities
				Direct	Indirect	
Fu An 777 Logistics Warehouse Limited (“HK Fu An 777”)	(a)	Hong Kong/ March 2015	HK\$1	100%	–	Logistics, Warehouse service, import and export agent
Guangdong Fu An 777 Logistics Warehouse Limited (“Guangdong Fu An 777”)	(b)	PRC/November 2015	USD\$25,000,000	–	100%	Logistics, Warehouse service, import and export agent

Notes:

- (a) The statutory financial statements of “HK Fu An 777” for the period from 9 March 2015 (the date of incorporation) to 31 December 2015 and the year ended 31 December 2016 prepared under Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations, collectively, “HKFRSs”) were audited by W.L. LIU & CO., registered Hong Kong certified public accountants.

The HK Fu An 777 incurred HK\$5,500 start-up cost for the period from its date of incorporation (9 March 2015) to the date prior to the date of incorporation of the Target Company (21 April 2015), which represents the entire financial affair of HK Fu An 777 during such period. HK Fu An 777 recorded the start-up cost as an administrative expense upon the incurrence of the expenditure and is included in amount due to related parties in the Target Company’s consolidated balance sheet as at 31 December 2015 and 2016 and 30 April 2017.

- (b) Guangdong Fu An 777 is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements of “Guangdong Fu An 777” for the period from 12 November 2015 (the date of incorporation) to 31 December 2015 and the year ended 31 December 2016 prepared under China Accounting Standards for Business Enterprises (“PRC GAAP”) were audited by Zhishang Certified Public Accountants Co., Ltd. (江門市志尚會計師事務所有限公司), registered certified public accountants in the PRC.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations, collectively, “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2017, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Target Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Target Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

Notwithstanding the Target Group has consolidated net current liabilities of RMB 163,436,000 as at 30 April 2017, the Historical Financial Information has been prepared by the directors on a going concern basis. The ultimate shareholders of the Target Company have undertaken to provide continuing financial support to enable the Target Company to meet its liabilities as and when they fall due. Therefore, the Target Company will have sufficient funds to meet its daily working capital requirements for the foreseeable future.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, to the Historical Financial Information:

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions¹</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i>
HKFRS 9	<i>Financial Instruments¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 15	<i>Revenue from Contracts with Customers¹</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers¹</i>
HKFRS 16	<i>Leases²</i>
HK(IFRIC)–Int 22	<i>Foreign Currency Transactions and Advance Consideration¹</i>
HK(IFRIC)–Int 23	<i>Uncertainty over Income Tax Treatments²</i>
Amendments to HKAS 40	<i>Transfers of Investment Property¹</i>
Annual Improvements 2014-2016 Cycle	<i>Amendments to the following two Standards HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards¹ HKAS 28 Investments in Associates and Joint Ventures¹</i>

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ No mandatory effective date yet determined but available for adoption

Management is in the process of making an assessment of the impact of the above new standards and amendments to standards on the Historical Financial Information of the Target Group upon initial application.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statements of profit or loss and other comprehensive income in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Target Group;
 - (ii) has significant influence over the Target Group; or

- (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;
- or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Target Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Target Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Construction in progress

Construction in progress represents a warehouse and related facilities under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Target Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statements of profit or loss and other comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statements of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statements of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Subsequent measurement

The subsequent measurement of loans and receivables is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statements of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the consolidated statements of profit or loss and other comprehensive income in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Group determines that no objective

evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statements of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated statements of profit or loss and other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Group's financial liabilities include other payables and amounts due to related parties.

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statements of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statements of profit or loss and other comprehensive income.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information is presented in Renminbi (“RMB”). Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statements of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain entities in the Target Group are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their consolidated statements of profit or loss and other comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statements of profit or loss and other comprehensive income.

3. OPERATING SEGMENT INFORMATION

Segment information and Geographical information

There was no operation in the Target Group during the Relevant Periods, management considers that it is not meaningful to prepare segment information regarding the Target Group for the purpose of its resource allocation and performance assessment. Accordingly, no operating segment information is presented.

Information about major customers

There was no operation in the Target Group during the Relevant Periods, therefore no such information is presented.

4. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	From 22 April 2015 (date of incorporation) to 31 December 2015 RMB	Year ended 31 December 2016 RMB	Four months ended 30 April 2016 2017 RMB (unaudited)	
Other income and gains				
Bank interest income	–	13,131	–	8,113
Others	–	255	445	5,000
	<u>–</u>	<u>13,386</u>	<u>445</u>	<u>13,113</u>

5. LOSS BEFORE TAX

The Target Group's loss before tax is arrived at after charging:

	From 22 April 2015 (date of incorporation) to 31 December 2015 RMB	Year ended 31 December 2016 RMB	Four months ended 30 April 2016 RMB (unaudited)	30 April 2017 RMB
Travelling expense	–	82,530	32,276	26,410
Entertainment expense	–	84,390	13,390	48,115
Miscellaneous tax charges other than value added tax and income tax	–	321,142	–	114,046
Professional expense	13,792	42,787	18,443	4,867
Amortisation of prepaid land lease payments	–	494,679	–	395,743
Employee benefit expense (excluding directors' and chief executive's remuneration (note 6)):				
– Wages and salaries	–	168,601	–	99,150
– Social insurance	–	15,918	–	11,370
	–	184,519	–	110,520
Interest accrued	10,472	235,643	–	2,422,688
Capitalised interest	–	(235,643)	–	(189,886)
Interest expense	10,472	–	–	2,232,802

6. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year/period, disclosed pursuant to the Listing Rules, is as follows:

	From 22 April 2015 (date of incorporation) to 31 December 2015 RMB	Year ended 31 December 2016 RMB	Four months ended 30 April 2016 2017 RMB (unaudited)	
Other emoluments:				
Salaries and allowances in kind	–	585,109	–	327,314
Other benefits	–	15,182	–	7,232
	–	600,291	–	334,546
	Fees RMB	Salaries and allowances in kind RMB	Other benefits RMB	Total remuneration RMB
Year ended 31 December 2016				
<i>Executive directors:</i>				
Ms. Lin Yuzhen	–	180,000	–	180,000
Mr. Li Zhuobin	–	405,109	15,182	420,291
	–	585,109	15,182	600,291
Four months ended 30 April 2017				
<i>Executive directors:</i>				
Ms. Lin Yuzhen	–	120,000	–	120,000
Mr. Li Zhuobin	–	207,314	7,232	214,546
	–	327,314	7,232	334,546

7. FIVE HIGHEST PAID EMPLOYEES

There were only 6 employees in the Target Group as at 30 April 2017. Details of directors' remuneration for the Relevant Periods are set out in note 6 above.

8. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB
31 December 2016	
At 31 December 2015 and 1 January 2016	—
Capitalised interest	235,643
Purchase	86,838,799
	<u>87,074,442</u>
At 31 December 2016	<u>87,074,442</u>
30 April 2017	
At 31 December 2016	87,074,442
Capitalised interest	189,886
Purchase	20,921,363
	<u>108,185,691</u>
At 30 April 2017	<u>108,185,691</u>

9. PREPAID LAND LEASE PAYMENTS

	<u>As at 31 December</u>	<u>As at 30 April</u>
	2015	2017
	<i>RMB</i>	<i>RMB</i>
Carrying amount at beginning of the year/period	—	58,866,846
Addition	—	59,361,525
Amortisation for the year/period	—	(395,743)
Carrying amount at end of the year/period	—	58,471,103
Portion classified as current assets	—	1,187,231
Non-current portion	<u>—</u>	<u>57,283,872</u>

The leasehold land is situated in Yangjiang, Guangdong Province, Mainland China and is held under a lease contract from 22 December 2015 to 22 December 2065.

10. PREPAYMENTS

	As at 31 December		As at 30 April
	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Down payment for prepaid land lease payments	11,575,500	—	—
Others	760	222,779	137,027
	<u>11,576,260</u>	<u>222,779</u>	<u>137,027</u>

11. CASH AND CASH EQUIVALENTS**Group**

	As at 31 December		As at 30 April
	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash and bank balances	<u>410</u>	<u>13,428,820</u>	<u>12,996,970</u>
Cash and cash equivalents	<u>410</u>	<u>13,428,820</u>	<u>12,996,970</u>
Denominated in:			
HK\$	—	14,348	8,301
RMB	<u>410</u>	<u>13,414,472</u>	<u>12,988,669</u>
	<u>410</u>	<u>13,428,820</u>	<u>12,996,970</u>

Company

	As at 31 December		As at 30 April
	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Cash and bank balances	<u>—</u>	<u>4,473</u>	<u>4,429</u>
Cash and cash equivalents	<u>—</u>	<u>4,473</u>	<u>4,429</u>

The functional currency of the Target Company is HK\$.

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

12. OTHER CURRENT ASSETS

Other current assets are in the nature of deductible input value added tax which will be utilized in the next one year.

13. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		As at 30 April
	2015	2016	2017
	RMB	RMB	RMB
Other payables	9,183	2,349,364	4,740,341
Accrued salaries, wages and benefits	–	80,583	69,350
Other tax payable	–	13,029	227,963
	<u>9,183</u>	<u>2,442,976</u>	<u>5,037,654</u>

Company

	As at 31 December		As at 30 April
	2015	2016	2017
	RMB	RMB	RMB
Other payable	<u>1</u>	<u>3,780</u>	<u>3,744</u>

Other payables are in the nature of amounts due to constructors, which are non-interest-bearing and payable on demand.

14. DEFERRED GOVERNMENTS GRANTS

	As at 31 December		As at 30 April
	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Government grants	–	7,500,000	7,500,000

The Target Group received RMB7,500,000 in 2016 from Yangjiang local government to support the construction of a warehouse.

15. SHARE CAPITAL*Shares*

	As at 31 December		As at 30 April
	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Share capital	645	645	645

A summary of the movements in the Target Group's share capital is as follows:

	Number of shares in issue	Par Value premium <i>RMB</i>
Issuance of shares	100	645
At 31 December 2015 and 2016 and 30 April 2017	100	645

16. OTHER RESERVES

The amounts of the Target Group's other reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on page II-6 of the Circular.

17. OPERATING LEASE ARRANGEMENTS

At the end of each of the Relevant Periods, the Target Group had no significant lease arrangement.

18. COMMITMENTS

	As at 31 December		As at 30 April
	2015	2016	2017
	RMB	RMB	RMB
Contracted, but not provided for:			
Land	59,361,525	–	–
Warehouse	115,831,089	26,553,326	80,836,073
	<u>175,192,614</u>	<u>26,553,326</u>	<u>80,836,073</u>

19. RELATED PARTY BALANCES AND TRANSACTIONS

The following is a summary of the significant transactions carried out between the Target Group and its related parties in the ordinary course of business during the Relevant Periods. The transactions with key management are presented in note 6.

Name	Relationship
Swift Fortune Holdings Limited	Shareholder of the Target Company
777 Logistics Warehouse Holdings Limited	Shareholder of the Target Company
777 Group Holdings Limited	A company controlled by the ultimate shareholders
Mutual Wealth Industrial Limited	A company controlled by the ultimate shareholders
Fu An International Company Limited	A company controlled by the ultimate shareholders
Jiang Men 777 Logistics Warehouse Limited (Jiangmen 777)	A company controlled by the ultimate shareholders

Balances with related parties

Amounts due from related parties		As at 31 December		As at 30 April
		2015	2016	2017
		RMB	RMB	RMB
777 Group Holdings Limited*		649	–	–
Mutual Wealth Industrial Limited	(i)	–	–	88,584,000
		<u>649</u>	<u>–</u>	<u>88,584,000</u>

* 777 Group Holdings Limited sold its shares of the Target Company to Swift Fortune Holdings Limited and 777 Logistics Warehouse Holdings Limited in 2016.

- (i) The amount due from related parties is interest-free, unsecured and has no fixed terms of repayment.

Amounts due to shareholders		As at 31 December		As at 30 April
		2015	2016	2017
		RMB	RMB	RMB
Swift Fortune Holdings Limited	(ii)	–	88,748,306	94,643,306
777 Logistics Warehouse Holdings Limited	(ii)	–	29,582,768	31,547,768
		–	118,331,074	126,191,074

- (ii) The amounts due to shareholders were interest-free, unsecured and had no fixed terms of repayment.

Amounts due to related parties		As at 31 December		As at 30 April
		2015	2016	2017
		RMB	RMB	RMB
Jiangmen 777	(iii)	11,587,142	36,156,692	48,746,578
777 Group Holdings Limited		4,859	31,281	–
Mutual Wealth Industrial Limited		–	253,413	512,027
Fu An International Company Limited	(iv)	–	89,451	90,816,802
		11,592,001	36,530,837	140,075,407

- (iii) The amounts due to Jiangmen 777 consisted of RMB 11,576,670 and accrued interest RMB 10,472 as at 31 December 2015. Amounts due to Jiangmen 777 consisted of RMB 35,910,577 and accrued interest of RMB 246,115 as at 31 December 2016. Amounts due to Jiangmen 777 consisted of RMB 48,310,577 and accrued interest of RMB 436,001. The interest rate is 1.5% per annual as at 30 April 2017.

- (iv) The amount due to Fu An International Company Limited is a short-term unsecured loan, dominated in HK\$, which is from 6 January 2017 to 5 January 2018. The principal is HK\$100,000,000, or RMB88,584,000 equivalent. The balance includes accrued interest, amounted to RMB2,232,802.

20. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 31 December 2015*Financial assets*

	Loans and receivables
Cash and cash equivalents	410
Amount due from related parties	649
	1,059

Financial liabilities

	Financial liabilities at amortised cost
Financial liabilities included in	
Other payables and accruals	9,183
Amounts due to related parties	11,592,001
	11,601,184

As at 31 December 2016*Financial assets*

	Loans and receivables
Cash and cash equivalents	13,428,820

Financial liabilities

	Financial liabilities at amortised cost
Financial liabilities included in	
Other payables and accruals	2,349,364
Amounts due to shareholders	118,331,074
Amounts due to related parties	36,530,837
	<u>157,211,275</u>

As at 30 April 2017*Financial assets*

	Loans and receivables
Cash and cash equivalents	12,996,970
Amount due from related parties	88,584,000
	<u>101,580,970</u>

Financial liabilities

	Financial liabilities at amortised cost
Financial liabilities included in	
Other payables and accruals	4,740,341
Amounts due to shareholders	126,191,074
Amounts due to related parties	140,075,407
	<u>271,006,822</u>

21. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, amounts due from related parties, deposits and other receivables, financial liabilities included in other payables and accruals and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise cash and cash equivalents, amounts due from related parties, financial liabilities included in other payables and accruals, amounts due to related parties and amounts due to shareholders. The main purpose of these financial instruments is to raise finance for the Target Group's operations.

The main risk arising from the Target Group's financial instruments is liquidity risk which is summarised below.

Liquidity risk

The maturity profile of the Target Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Year ended 31 December 2015

	On demand	Less than 1 year	1 to 2 years	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Amounts due to related parties	11,592,001	–	–	11,592,001
Other payables and accruals	9,183	–	–	9,183
	<u>11,601,184</u>	<u>–</u>	<u>–</u>	<u>11,601,184</u>

Year ended 31 December 2016

	On demand	Less than 1 year	1 to 2 years	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Amounts due to shareholders	118,331,074	–	–	118,331,074
Amounts due to related parties	36,530,837	–	–	36,530,837
Other payables and accruals	2,349,364	–	–	2,349,364
	<u>157,211,275</u>	<u>–</u>	<u>–</u>	<u>157,211,275</u>

Four months ended 30 April 2017

	On demand	Less than 1 years	1 to 2 years	Total
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Amounts due to shareholders	126,191,074	–	–	126,191,074
Amounts due to related parties	49,258,605	90,816,802	–	140,075,407
Other payables and accruals	4,740,341	–	–	4,740,314
	<u>180,190,020</u>	<u>90,816,802</u>	<u>–</u>	<u>271,006,822</u>

23. CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 April 2017.

24. EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events between the end of the reporting period and the issue date of this Historical Financial Information that would cause a material impact on the Target Group.

I. UNAUDITED PRO FORMA FINANCIAL INFORMATION**(A) INTRODUCTION OF THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP****(i) Basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group**

The following is the unaudited pro forma consolidated statement of assets and liabilities, which consists of the pro forma consolidated statement of financial position of Huazhang Technology Holding Limited (the “Company”) and its subsidiaries (the “Group”) and Fu An 777 Logistics Limited (the “Target Company”) and its subsidiaries (the “Target Group”) (collectively referred to as the “Enlarged Group”) (the “Unaudited Pro Forma Financial Information”), which has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules for the purpose of illustrating the effect on the assets and liabilities of the Enlarged Group as if the acquisition of 100% of equity interest of the Target Company by the Company (the “Acquisition”) had been completed on 30 April 2017.

The unaudited Pro Forma Financial Information of the Enlarged Group as at 30 April 2017 has been prepared based on the information as set out in:

- (a) the audited consolidated statement of financial position of the Group as at 30 June 2017, which has been extracted from the published annual report of the Company;
- (b) the audited consolidated statement of financial position of the Target Group as at 30 April 2017 as extracted from the accountants’ report of the Target Group as set out in Appendix II to this Circular; and
- (c) after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Acquisition, and factually supportable, as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 30 April 2017.

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

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company (the “Directors”) for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 30 April 2017 or any future date.

(ii) Unaudited Pro Forma Financial Information of the Enlarged Group

							Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 April 2017
	The Group as at 30 June 2017	The Target Group as at 30 April 2017		Pro forma adjustments			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
NON-CURRENT ASSETS							
Prepaid land lease payments	3,249	57,283	–	–	12,275	–	72,807
Property, plant and equipment	40,141	108,186	–	–	–	–	148,327
Investment properties	6,301	–	–	–	–	–	6,301
Goodwill	596	–	–	–	3,278	–	3,874
Deferred tax assets	2,763	–	–	–	–	–	2,763
Trade and other receivables	84,674	–	–	–	–	–	84,674
Prepayment-non-current portion	222	–	–	–	–	–	222
Total non-current assets	<u>137,946</u>	<u>165,469</u>	<u>–</u>	<u>–</u>	<u>15,553</u>	<u>–</u>	<u>318,968</u>
CURRENT ASSETS							
Prepaid land lease payments	105	1,187	–	–	254	–	1,546
Inventories	59,512	–	–	–	–	–	59,512
Trade and bills receivables	322,804	–	–	–	–	–	322,804
Prepayments	34,881	137	–	–	–	–	35,018
Amounts due from related parties	–	88,584	–	–	–	–	88,584
Pledged deposits	21,516	–	–	–	–	–	21,516
Cash and bank balances	50,554	12,997	41,900	–	–	(550)	104,901
Other current assets	–	4,963	–	–	–	–	4,963
Total current assets	<u>489,372</u>	<u>107,868</u>	<u>41,900</u>	<u>–</u>	<u>254</u>	<u>(550)</u>	<u>638,844</u>

APPENDIX III
**UNAUDITED PROFORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

							Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 April 2017
	The Group as at 30 June 2017	The Target Group as at 30 April 2017		Pro forma adjustments			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	
CURRENT LIABILITIES							
Trade and notes payables	228,068	–	–	–	–	–	228,068
Amounts due to shareholders	–	126,191	–	(126,191)	–	–	–
Amounts due to related parties	–	140,075	–	–	–	–	140,075
Other payables and accruals	–	5,037	–	–	–	–	5,037
Interest-bearing loans	8,626	–	–	–	–	–	8,626
Current income tax liabilities	2,684	–	–	–	–	–	2,684
Total current liabilities	<u>239,378</u>	<u>271,303</u>	<u>–</u>	<u>(126,191)</u>	<u>–</u>	<u>–</u>	<u>384,490</u>
NET CURRENT ASSETS/ (LIABILITIES)	<u>249,994</u>	<u>(163,435)</u>	<u>41,900</u>	<u>126,191</u>	<u>254</u>	<u>(550)</u>	<u>254,354</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>387,940</u>	<u>2,034</u>	<u>41,900</u>	<u>126,191</u>	<u>15,807</u>	<u>(550)</u>	<u>573,322</u>
NON-CURRENT LIABILITIES							
Deferred government grants	–	7,500	–	–	–	–	7,500
Convertible bonds	66,822	–	–	–	–	–	66,822
Deferred tax liabilities	800	–	–	–	3,132	–	3,932
Total non-current liabilities	<u>67,622</u>	<u>7,500</u>	<u>–</u>	<u>–</u>	<u>3,132</u>	<u>–</u>	<u>78,254</u>
NET ASSETS/ (LIABILITIES)	<u>320,318</u>	<u>(5,466)</u>	<u>41,900</u>	<u>126,191</u>	<u>12,675</u>	<u>(550)</u>	<u>495,068</u>

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The balances were extracted from the audited consolidated statement of financial position of the Group as at 30 June 2017 as set out in the Company's published annual report.
2. The balances were extracted from the audited consolidated statement of financial position of the Target Group as at 30 April 2017 as set out in the accountants' report of the Target Group in Appendix II to this Circular.
3. Pursuant to the Sale and Purchase Agreement (the "Agreement"), the shareholders of the Target Group (the "Vendors") are required to inject USD6,040,000 to the Target Group, or equivalent to RMB41,900,000 based on exchange rate of USD1 to RMB6.55, before completion of the Acquisition.
4. According to the Agreement, the Vendors will transfer the shareholder loan approximately amounted to RMB126,191,000 to the Company at HK\$1.00.
5. The pro forma adjustment reflects the allocation of the cost of the Acquisition to the identifiable assets and liabilities of the Target Group and fair value adjustment of the identifiable assets and liabilities of the Target Group, which represents:

(a) *Fair value adjustment of the identifiable assets and liabilities of the Target Group*

Upon completion of the Acquisition, the identifiable assets and liabilities of the Target Group in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group will be accounted for at fair value under the purchase method of accounting in accordance with Hong Kong Financial Reporting Standard No. 3 *Business Combinations*.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors had assumed that the carrying values of the identifiable assets and liabilities of the Target Group approximated to their fair values except for the prepaid land lease payments.

According to a valuation report, prepared by an independent professional valuer Colliers International (Hong Kong) Ltd., the fair value of prepaid land lease payment is estimated at RMB71,000,000 as of 30 April 2017.

Deferred tax liabilities related to prepaid land lease payments and property, plant and equipment are estimated by applying PRC enterprise income tax rate of 25% to the amount of fair value adjustment on intangible assets.

Details of adjustments are set out below:

	Carrying amount of identifiable assets/ liabilities of the Target Group as at 30 April 2017 RMB'000	Fair value adjustments RMB'000	Fair value of identifiable assets/ liabilities of the Target Group as at 30 April 2017 RMB'000
Prepaid land lease payments	58,471	12,529	71,000
Deferred tax liabilities	–	(3,132)	(3,132)
Total	58,471	9,397	67,868

(b) Recognition of goodwill in relation to the Acquisition

Goodwill of the Enlarged Group represents the excess of the Acquisition consideration over the estimated fair value of the identifiable net assets of the Target Group. Pursuant to the Agreement, the Company will issue 80,447,059 shares (the “Consideration Shares”) to the Vendors upon the completion of the Acquisition.

The fair value of Consideration Shares are calculated as below:

Number of shares	a	80,447,059
Closing price as of 30 April 2017	b	2.46
Exchange rate as of 30 April 2017	c	0.8858
Total	d=a*b*c	<u>175,299,612</u>

Consideration Shares are deemed to be allotted and issued on the completion date of the Acquisition.

The recognition of goodwill arising from the Acquisition is analyzed as follows:

30 April 2017

RMB'000

Consideration of the Acquisition (at fair value of Consideration Share plus HK\$1)	175,300
Less: book value of net liabilities of the Target Company (<i>note 2</i>)	(5,466)
Less: capital injection from the Vendors (<i>note 3</i>)	41,900
Less: transfer shareholder loan (<i>note 4</i>)	126,191
Less: fair value adjustments to identifiable assets and liabilities (<i>note 5a</i>)	9,397
Goodwill arising from the Acquisition	<u>3,278</u>

For the purpose of this Unaudited Pro Forma Financial Information, the Company has assessed if there is any impairment loss on the goodwill arising from the Acquisition in accordance with the Hong Kong Accounting Standard No. 36 *Impairment of Assets*, which is consistent with the Company's accounting policy. The Directors are of the view that, after performing the impairment assessment, there is no impairment indication of the goodwill arising from the Acquisition as set out in the Unaudited Pro Forma Financial Information.

Since the fair value of Consideration Shares at the completion date of the Acquisition may be substantially different from the value used in the unaudited pro forma statement, the goodwill recognized at the completion date of the Acquisition may be different from the amount presented above.

6. The pro forma adjustment represents the transaction costs of the Acquisition incurred by the Group including expense charged by legal, accounting and other professional parties. The total amount is estimated at RMB550,000.
7. According to Guoshuihan [2009] No. 698 and Public Notice [2015] No. 7 of the State Administration of Taxation (the "SAT"), if the Chinese tax authority considers the offshore holding structure as lacking reasonable commercial purpose and that the offshore share transfer was driven by tax-avoidance in China, it will re-characterize the offshore transaction as a direct transfer of the underlying PRC company and impose Enterprise Income Tax ("EIT") on the capital gains generated by the offshore sellers. The offshore sellers act as the EIT tax payer and the buyer is the withholding agent.

When determining whether there is reasonable commercial purposes for a transaction, the Chinese tax authority would consider various factors, mainly including the equity value of PRC taxable assets, asset value and income derived from PRC taxable assets, economic substance of the offshore holding company, duration of existence of offshore holding companies, overseas income tax burden of the transaction, alternative transaction factor, applicable treaty factor, etc.

According to the Agreement, the Vendors of the Target Group are committed to settling the EIT arising from the Acquisition by themselves and the Vendors will do a voluntary report to the local tax authority about the transaction for further handling. Therefore, the management concludes the Enlarged Group's tax exposure due to the Guoshuihan [2009] No. 698 and Public Notice [2015] No. 7 of SAT is remote and does not include EIT in the pro forma financial information.

8. Apart from the Acquisition, on 14 August 2017, the board approved an acquisition of Hangzhou MCN Paper Tech Co., Ltd and Hangzhou Haorong Technology Co., Ltd (the "MCN Group") in mainland China. The initial consideration is RMB34,000,000, with RMB12,400,000 in cash consideration and RMB 21,600,000 in share consideration. There is a contingent consideration stipulated in the agreement, which is based on profit performance over next two years after acquisition with maximum amount of RMB34,000,000. The MCN Group is mainly engaged in R&D of papermaking industrial products. The financial impact to acquire the MCN Group is not included in the unaudited Pro Forma Financial Information, which is solely to demonstrate how the Acquisition might have affected the historical financial information of the Group as if the Acquisition had been completed on 30 April 2017.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

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**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Huazhang Technology Holding Limited**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Huazhang Technology Holding Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information (the "Pro Forma Financial Information") consists of the pro forma statement of assets and liabilities as at 30 April 2017, and related notes as set out on pages III-1 to III-7 of the circular dated 10 October 2017 ("the "Circular") in connection with the proposed acquisition (the "Proposed Acquisition") of 100% equity interests of Fu An 777 Logistics Limited (the "Target Company") and its subsidiaries (together, the "Target Group") by the Company. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page III-1 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 30 April 2017 as if the Acquisition has taken place on 30 April 2017. As part of this process, information about the Group's assets and liabilities had been extracted by the Directors from the Group's financial statements for the year ended 30 June 2017, on which an annual report has been published and the financial information of the Target Group for the four months ended 30 April 2017, on which an accountant's report has been published, respectively.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

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

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

Reporting Accountant's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by HKICPA.

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

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

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

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

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

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

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernest & Young

Certified Public Accountants

Hong Kong

10 October 2017

APPENDIX IV VALUATION REPORT OF THE PROJECT LAND AND THE CONSTRUCTION ERECTED THEREON

The following is the text of a letter and Valuation Certificate prepared for the purpose of incorporation in this circular received from Colliers International (Hong Kong) Ltd., an independent valuer, in connection with its valuation as at 31 August 2017 of the Property (as defined in this circular) to be acquired by the Group. Terms defined in this appendix applies to this appendix only.



Colliers International (Hong Kong) Ltd.
Valuation & Advisory Services
Company Licence No: C-006052



Suite 5701 Central Plaza
18 Harbour Road Wanchai
Hong Kong

The Board of Directors
Huazhang Technology Holding Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-111
Cayman Islands

10 October 2017

Dear Sirs,

INSTRUCTIONS, PURPOSE AND VALUATION DATE

We refer to your instructions for us to assess the market value of a property (the “Property”) located in The People’s Republic of China (“The PRC”) to be acquired by Huazhang Technology Holding Limited and its subsidiaries (“the Group”). We confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 August 2017 (the “Valuation Date”).

BASIS OF VALUATION

Our valuation has been undertaken on the basis of market value, which is defined by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

APPENDIX IV VALUATION REPORT OF THE PROJECT LAND AND THE CONSTRUCTION ERECTED THEREON

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

VALUATION METHODOLOGY

In the valuation of the Property, due to the nature of the buildings and structures and the particular location in which it is situated, there are no readily identifiable market comparable transactions. Therefore in the course of our valuation, we have considered its value on the basis of its depreciated replacement costs.

The Depreciated Replacement Cost Method when used must always be subject to adequate potential profitability of the concerned business (or to service potential of the entity from the use of assets as a whole) paying due regard to the total assets employed.

Depreciated Replacement Cost is based on an estimate of the market value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality.

The Depreciated Replacement Cost of the property generally provides the most reliable indication of value for the properties in the absence of a known market based on comparable sales.

VALUATION STANDARDS

The valuation has been carried out in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors with reference to the International Valuation Standards 2017 published by the International Valuation Standards Council effective from 1 July 2017, and the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

LAND TENURE AND TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the Property. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on the information provided by the Group.

We have relied on the advice given by The PRC legal adviser, ALLBRIGHT LAW OFFICES, on the PRC laws, regarding the titles to the Property in The PRC. We do not accept liability for any interpretation that we have placed on such information, which is more properly placed within the sphere of the legal adviser.

All legal documents disclosed in this letter and Valuation Certificate are for reference only. No responsibility is assumed for any legal matters concerning the legal titles to the Property set out in this letter and Valuation Certificate.

APPENDIX IV VALUATION REPORT OF THE PROJECT LAND AND THE CONSTRUCTION ERECTED THEREON

SOURCES OF INFORMATION

We have relied to a considerable extent on the information provided by the Group and The PRC legal adviser, in respect of the titles to the Property in The PRC. We have also accepted advice given to us on matters such as identification of the Property, particulars of occupancy, development scheme, development costs, statutory notices, easements, tenure, areas, site plans and all other relevant matters. Dimensions, measurements and areas included in the valuation are based on information contained in the documents provided to us and are, therefore, only approximations.

We have also been advised by the Group that no material factors or information have been omitted or withheld from the information supplied and consider that we have been provided with sufficient information to reach an informed view. We believe that the assumptions used in preparing our valuation are reasonable and have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation.

SITE MEASUREMENT

We have not carried out detailed on-site measurements to verify the correctness of the site area in respect of the Property but have assumed that the areas shown on the documents and plans provided to us are correct. All documents have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

SITE INSPECTION

We have inspected the Property on 26 June 2017. We are unaware of any adverse ground conditions affecting the Property and have not had sight of a ground and soil survey. We have not carried out investigations on site to determine the suitability of the ground conditions and services etc. for any future development. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We have further assumed that there is no significant pollution or contamination in the locality which may affect the construction on the Property.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Property on the open market without the benefit of deferred terms contracts, leasebacks, joint ventures, or any similar arrangements which would affect its value.

No allowances have been made in our valuation for any charges, mortgages or amounts owing neither on the Property nor for any expenses or taxes which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

As the Property is held under long term land use rights, we have assumed that the owner has free and uninterrupted rights to use the Property for the whole of the unexpired term of the land use rights.

**APPENDIX IV VALUATION REPORT OF THE PROJECT LAND AND THE
CONSTRUCTION ERECTED THEREON**

CURRENCY

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (“RMB”).

We hereby certify that we have neither present nor a prospective interest in the Property or the values reported.

Our Valuation Certificate is attached hereto.

Yours faithfully,
For and on behalf of
Colliers International (Hong Kong) Ltd.

Vincent Cheung
BSc(Hons) MBA FRICS MHKIS RPS(GP) MISCM MHKSI
Deputy Managing Director, Asia
Valuation & Advisory Services

Note:

Vincent Cheung holds a Master of Business Administration and he is a Registered Professional Surveyor with about 20 years’ experiences in real estate industry and assets valuations sector. His experience on valuations covers Hong Kong, Macau, Taiwan, South Korea, Mainland China, Vietnam, Cambodia and other overseas countries. Vincent is a fellow member of the Royal Institution of Chartered Surveyors and a member of The Hong Kong Institute of Surveyors, a member of Institute of Shopping Centre Management and a member of Hong Kong Securities and Investment Institute. Vincent is one of the valuers on the “list of property valuers for undertaking valuation for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers” as well as a Registered Business Valuer of the Hong Kong Business Valuation Forum.

APPENDIX IV	VALUATION REPORT OF THE PROJECT LAND AND THE CONSTRUCTION ERECTED THEREON
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VALUATION CERTIFICATE

Property to be Acquired by the Group for Development and Occupation in The PRC

			Market value in existing state as at 31 August 2017 RMB
Property	Description and tenure	Particulars of occupancy	
An industrial development located at the north of Haigang Erheng Road, Gangkou Industrial Park, Jiangcheng District, Yangjiang, Guangdong Province, The PRC	The Property comprises a parcel of land on which a logistics park is planned.	The Property is currently under construction.	204,000,000 (Renminbi
		As advised by the Group, for the first stage of development of the Property the construction of four warehouses has been substantially completed and the construction of the ancillary office building is expected to be completed by December 2017. No	Two Hundred and Four Million)
	Upon completion, the Property will have ten warehouses and an ancillary office building with a total gross floor area of approximately 107,766.69 square metres.		100% interest to be attributable to the Group post-acquisition:
	The area breakdown of the Property is listed as below:		204,000,000 (Renminbi
			Two Hundred and Four Million)
	Use	Proposed gross floor area (square metres)	
	Warehouses	106,602.84	
	Ancillary office	1,163.85	
	Total	<u>107,766.69</u>	
The Property has a site area of approximately 193,202.88 square metres.			
The land use rights of the Property were granted for a term expiring on 22 December 2065 for industrial uses (Please refer to Note No. 4 below).			

APPENDIX IV VALUATION REPORT OF THE PROJECT LAND AND THE CONSTRUCTION ERECTED THEREON

Notes:

1. The Property was inspected by Simon Lee Probationer of HKIS and Charlotte Xu Probationer of RICS on 26 June 2017.
2. The valuation of the Property was prepared by Kit Cheung MHKIS MRICS RPS(GP) and Vincent Cheung MHKIS FRICS RPS(GP) MISCM MHKSI.
3. Pursuant to a State-owned Construction Land Use Rights Grant Contract, 441702 – Gao Xin Qu (2015) – 003, entered into between State-owned Land Resources Bureau of Yangjiang – Branch of Gaoxin District and Guangdong 777 Logistics Warehouse Limited (“WFOE”) dated 23 December 2015, the land use rights of the Property were contracted to be granted to WFOE with details as follows:–

Land Use	:	Industrial
Site Area	:	193,202.88 square metres
Lot No.	:	Gao Xin Qu (2015) – 003
Land Use Rights Term	:	50 years
Minimum Plot Ratio	:	0.7
Minimum Site Coverage	:	30%
Consideration	:	RMB57,000,000
4. Pursuant to a Real Estate Title Certificate, Yue (2017) Yang Jiang Shi Bu Dong Chan Quan Di No. 0006793, issued by State-owned Land Resources Bureau of Yangjiang dated 14 March 2017, the land use rights of the Property with a site area of approximately 193,202.88 square metres were granted to WFOE for a term expiring on 22 December 2065 for industrial use.
5. Pursuant to a Construction Land Use Planning Permit, Di Zi Di Yang Gao Gui Di No. M2016-13, issued by the Planning Construction and Transportation Bureau of Yangjiang High-tech Industrial Development Zone dated 20 April 2016, the proposed land use of the Property was approved.
6. Pursuant to a Construction Project Planning Permit, Jian Zi Di Yang Gao Gui Jian No. M2017-003, issued by Planning Construction and Transportation Bureau of Yangjiang High-tech Industrial Development Zone dated 23 January 2017, the proposed construction of a portion of the Property with a total gross floor area of 42,996.00 square metres was approved.
7. Pursuant to a Construction Project Work Commencement Permit, No. 441701201605260101, issued by Planning Construction and Transportation Bureau of Yangjiang High-tech Industrial Development Zone dated 26 May 2016, the construction works of a portion of the Property with a total gross floor area of 47,031.00 square metres was permitted to commence.
8. The gross development value of the Property by assuming that it has been completed on the Valuation Date is assessed at circa RMB558,000,000. With reference to the construction status of the Property, the construction cost incurred and the outstanding construction cost as at the Valuation Date are estimated at circa RMB126,000,000 and circa RMB317,000,000 respectively.
9. As per our valuation, the value apportionment of the land portion of the Property as at the Valuation Date is assessed at circa RMB71,000,000.

APPENDIX IV VALUATION REPORT OF THE PROJECT LAND AND THE CONSTRUCTION ERECTED THEREON

10. The locational and market information of the Property are summarized as below:

- Location : The Property is located at the north of Haigang Erheng Road, Gangkou Industrial Park, Jiangcheng District, Yangjiang, Guangdong Province, The PRC.
- Transportation : Yangjiang Port, Highway (S51), Train Station of Yangjiang Port are located in approximately 2 kilometres, 3 kilometres and 2 kilometres away respectively.
- Nature of Surrounding Area : The subject area is a predominately industrial area within Gangkou Industrial Park, Jiangcheng District. The neighbourhood of the Property is dominated by industrial developments.

11. We have been provided with a legal opinion regarding the legality of the Property by The PRC legal adviser of the Group, which contains, inter alia, the following:

- (a) WFOE has obtained the state-owned land use rights of the Property by the way of grant. The way of obtaining the state-owned land use rights is legal and effective. Within the land use rights term stated in the Real Estate Title Certificate, WFOE is the sole legal holder of the state-owned land use rights, and it can legally use the subject land according to the permitted use;
- (b) The subject land is not subject to any illegal usage by WFOE. There is no any law, regulation, contract term or commitment to restrict WFOE to transfer, mortgage, lease or gift the whole of or a portion of the state-owned land use rights to any third party, or to permit any third party to use the whole of or a portion of the state-owned land use rights; and
- (c) The state-owned land use rights of the Property are not subject to any guarantee, mortgage, seizure or other kinds of restriction of other rights.

Set out below is the management discussion and analysis of the Target Group for the period from 22 April 2015 (the date of incorporation) to 31 December 2015, the year ended 31 December 2016 and the four months ended 30 April 2016 and 2017 (the “Relevant Periods”).

MARKET OVERVIEW

The paper industry has been developing rapidly in Guangdong Province of the PRC. According to the Almanac of China Paper Industry 2017 published by the China Technical Association of Paper Industry, there were over 180 papermaking enterprises in Guangdong Province of the PRC and the profits generated by the papermaking and paper product manufacturing industries in Guangdong Province in year 2016 amounted to approximately RMB11.9 billion, representing an increase of approximately 35.7% as compared with the same period in year 2015, while the revenue generated by the main business of the papermaking enterprises in Guangdong Province in year 2016 amounted to approximately RMB205.2 billion, representing an increase of approximately 8.5% as compared with the same period in year 2015. Although the paper industry in the PRC is active, the supply of raw materials for paper industry within the PRC, such as paper pulp, is limited and papermaking enterprises rely heavily on imported paper pulp. According to the Competitiveness Report of China’s Paper Industry in 2016 published by the China National Pulp and Paper Research Institute, the PRC recorded a net import of paper pulp of approximately 21.0 million tons in year 2015 and had been the largest pulp importing country in the world. Considering the market condition of the paper industry in Guangdong Province of the PRC, the Board is of the view that having a logistic and warehouse centre in the Guangdong Province would support and complement the Group’s one-stop project contracting services to the papermaking enterprises in the Guangdong Province by providing logistic and storage services for the raw materials imported for the papermaking enterprises.

BUSINESS OVERVIEW

The Target Group consisted of the Target Company, the HK Subsidiary and the WFOE. The primary activity of the Target Company and the HK Subsidiary is investment holding. The Target Company wholly owns the HK Subsidiary, which in turn wholly owns the WFOE. The principal asset of the WFOE is the Project Land and the construction erected thereon, with a total site area of approximately 193,203 square meters. The Project Land, which is free from any charge or mortgage, was granted by the PRC government with a lease period from 23 December 2015 to 22 December 2065 specified in the land use right certificate. The WFOE has obtained all approvals from the relevant PRC authorities necessary for conducting logistics and warehouse business on the Project Land.

The WFOE has not commenced its business and is currently constructing a logistics and warehouse centre on the Project Land which, upon completion, could provide bonded logistics services of raw materials, equipment and supplies for papermaking enterprises and raw materials suppliers in the southern part of PRC. It is expected that the logistics and warehouse centre on the Project Land will have the required facilities to be utilised as a platform to provide modernised bonded warehousing services, terminal services, and services relating to importing and exporting goods and ancillary services, customs and clearance and regional distribution for papermaking enterprises etc. Owing to the Target Group’s business nature, there is no major suppliers.

Further, after Completion, the Group would be able to store the components of the machines and automation systems of the Group in the logistic and warehouse centre and the technicians of the Group staying at the logistic and warehouse centre could provide immediate and all-round support and services to the Group's customers in the Guangdong Province, which allows the Group to establish a one-stop integrated service platform by providing comprehensive and more efficient project contracting services to the papermaking enterprises.

FINANCIAL OVERVIEW

The table below sets out the financial information of the Target Group for the Relevant Periods:

	From 22 April 2015 (date of incorporation) to 31 December 2015 RMB (audited)	Years ended 31 December 2016 RMB (audited)	Four months ended 30 April 2016 RMB (unaudited)	2017 RMB (audited)
Other income and gains	–	13,386	445	13,113
Administrative expenses	(14,042)	(1,942,664)	(71,656)	(1,284,037)
Finance costs	(10,472)	(1,156)	–	(2,240,980)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LOSS BEFORE TAX	<u>(24,514)</u>	<u>(1,930,434)</u>	<u>(71,211)</u>	<u>(3,511,904)</u>

INCOME AND EXPENSES

For the Relevant Periods, as the WFOE has not yet commenced its business, no income was generated from the Target Group. Other operating costs mainly comprised management fees.

LOSS BEFORE TAX

The Target Group's loss before tax is arrived at after charging:

	From 22 April 2015 (date of incorporation) to 31 December 2015 RMB (audited)	Year ended 31 December 2016 RMB (audited)	Four months ended 30 April 2016 RMB (unaudited)	2017 RMB (audited)
Traveling expense	–	82,530	32,276	26,410
Entertainment expense	–	84,390	13,390	48,115
Miscellaneous tax charges other than value added tax and income tax	–	321,142	–	114,046
Professional expense	13,792	42,787	18,443	4,867
Amortisation of prepaid land lease payments	–	494,679	–	395,743
Employee benefit expense (excluding directors' and chief executive's remuneration)	–	168,601	–	99,150
Wages and salaries	–	15,918	–	11,370
Social insurance	–	184,519	–	110,520
Interest accrued	10,472	235,643	–	2,422,688
Capitalised interest	–	(235,643)	–	(189,886)
Interest expense	10,472	–	–	2,232,802

Liquidity, financial resources and funding

As at 31 December 2015, 2016 and 30 April 2017, the Target Group had cash and bank balances as follows:

	As at 31 December		As at 30 April
	2015	2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)	(audited)
Cash and bank balances	<u>410</u>	<u>13,428,820</u>	<u>12,996,970</u>
Cash and bank balances denominated in:			
HK\$	–	14,348	8,301
RMB	<u>410</u>	<u>13,414,472</u>	<u>12,988,669</u>
	<u>410</u>	<u>13,428,820</u>	<u>12,996,970</u>

The borrowings of the Target Group as at 31 December 2015, 2016 and 30 April 2017 are stated below:

		As at 31 December		As at 30 April
		2015	2016	2017
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		(audited)	(audited)	(audited)
Shareholder loans				
from Swift Fortune				
Holdings Limited	(i)	–	88,748,306	94,643,306
Shareholder loans				
from 777 Logistics				
Warehouse Holdings				
Limited	(i)	–	29,582,768	31,547,768
Interest-bearing borrowings				
from Jiang Men 777				
Logistics Warehouse				
Limited	(ii)	11,587,142	36,156,692	48,746,578
Interest-bearing borrowings				
from Fu An International				
Company Limited	(iii)	–	–	90,816,802
		<u>11,587,142</u>	<u>154,487,766</u>	<u>265,754,454</u>

- (i) Shareholders' Loans were dominated in RMB, interest-free, unsecured and had no fixed terms of repayment.
- (ii) The amount due to Jiang Men 777 Logistics Warehouse Limited were denominated in RMB at an annual interest rate of 1.5%, which is unsecured and had no-fixed terms of repayment.
- (iii) The amount due to Fu An International Company Limited is a short-term unsecured loan, denominated in HK\$. It is from 6 January 2017 to 5 January 2018. The principal is HK\$100,000,000, or RMB 88,584,000 equivalent. The balance includes accrued interest, amounted to RMB2,232,802.

The Target Group had the following expenditure commitments in relation to the construction and development of the Project Land for the Relevant Periods:

	From 22 April 2015 (date of incorporation) to			
	31 December 2015 RMB (audited)	Year ended 31 December 2016 RMB (audited)	Four months ended 30 April 2016 RMB (unaudited)	
				2017 RMB (audited)
Expenditure in respect of the construction and development of the Project Land contracted	–	146,200,324	47,946,006	20,921,363

During the Relevant Periods, the WFOE primarily financed the acquisition of the Project Land and construction of the logistics and warehouse centre erected on the Project Land from borrowings and its paid-up capital, which was injected to the WFOE through the HK Subsidiary by obtaining shareholders' loan.

The WFOE had entered into agreements for certain construction works in respect of the logistics and warehouse centre on the Project Land. Pursuant to the terms of these agreements, the WFOE has committed approximately RMB80,836,000 as of 30 April 2017 to be settled upon the completion of the logistics and warehouse centre on the Project Land. The Board expects that the construction and development of the Project Land will be funded by the internal resources of the Target Group and if necessary, the Board will consider conducting other fund raising activities, such as obtaining external borrowings for such purpose. The Board will, based on the actual progress of the construction and condition of usage of the logistics and warehouse centre, review and evaluate such funding and treasury policy from time to time to ensure its adequacy and effectiveness.

The following table sets out the Target Group's gearing ratio as at 31 December 2015, 2016 and 30 April 2017:

	As at 31 December		As at 30 April
	2015	2016	2017
	RMB	RMB	RMB
	(audited)	(audited)	(audited)
Gearing Ratio (%)	100	105	104

The gearing ratio is calculated on the basis of the Target Group's amounts due to related parties and amounts due to shareholders over the aggregate of the equity, amounts due to related parties and the amount due to shareholders of the Target Group.

During the Relevant Periods, the Target Group had not used any financial instruments for hedging purpose.

PLEDGE OF ASSETS

The Target Group did not have any pledged asset as at the Latest Practicable Date.

MATERIAL INVESTMENTS, CAPITAL ASSETS, ACQUISITION AND DISPOSAL

During the Relevant Periods, save as the Project Land, the Target Group did not hold any significant investment, and did not have any material acquisition and disposal of subsidiaries and associated companies.

The Target Group will continue to focus on the development of the Project Land and the construction erected thereon, which is expected to be funded by the internal resources of the Target Group and, if necessary, other fund raising activities such as external borrowings. Other than the development of the Project Land and the construction erected thereon, the Target Group did not have any future plan for material investments or capital assets as at the Latest Practicable Date.

The Target Group remunerated its employees with reference to their qualification, experience, responsibilities, performance, profitability of the Target Group and current market conditions. The Target Group provides other benefits to its employees such as retirement benefits. As required by applicable PRC regulations, the WFOE participated in various employee benefit plans organised by the municipal and provincial governments, including housing provident fund, pension, medical, maternity and unemployment benefit plans.

From 22 April 2015 (date of incorporation)	to 31 December 2015	Year ended 31 December 2016	Four months ended 30 April 2016	2017
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
			(unaudited)	

Number of full time employees	—	6	—	6
Staff cost incurred	—	784,810	—	445,066

A majority of the Target Group's assets and liabilities are denominated in RMB and the Target Group had only entered into contracts in RMB, the currency risks of the Target Group is remote and the Target Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Target Group does not have any material contingent liability as at 31 December 2015, 2016 and 30 April 2017 respectively.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**(a) Directors' interests in the securities of the Company and its associated corporation**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had any interest or short position 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) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred

to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares or underlying shares

Name of Director	Company/name of associated company	Nature of interest	Number of securities	Approximate percentage of shareholding
Mr. Zhu Gen Rong	The Company	Interest of a controlled corporation	411,854,000 (Note 1)	67.49%
		Beneficial owner	608,000	0.10%
		Person acting in concert	200,000 (Notes 2 and 3)	0.03%
	Florescent Holdings Limited	Interest of a controlled corporation	7,790 (Note 4)	77.90%
	Lian Shun Limited	Beneficial interest	5,705,500 (Note 5)	61.31%
Mr. Wang Ai Yan	The Company	Beneficial owner	200,000	0.03%
		Person acting in concert	412,462,000 (Notes 2 and 6)	67.59%

Notes:

- (1) The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited, which in turn is owned as to 61.31% by Mr. Zhu Gen Rong. Mr. Zhu is deemed to be interested in the Shares held by Florescent Holdings Limited under the SFO.
- (2) With reference to the announcement of the Company dated 8 November 2015 in relation to the disposal of 7.52% interests in Lian Shun Limited by Ms. Zhu Ling Yun and Mr. Zhu Gen Rong and the deed of termination of the acting-in-concert arrangement among Mr. Zhu Gen Rong, Ms. Zhu Ling Yun, Mr. Wang Ai Yan and Mr. Liu Chuan Jiang, as the Company has not yet obtained confirmation from the Executive (as defined under the Takeovers Code) that it can be accepted that they are no longer acting in concert pursuant to note 3 to the definition of “acting in concert” of the Takeovers Code, therefore, Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Liu Chuan Jiang and Ms. Zhu Ling Yun will continue to be deemed to be interested in the Shares held by each of the other parties and the Shares where each of the other parties is deemed to be interested in under the SFO.
- (3) As Mr. Zhu Gen Rong is regarded as one of the parties acting in concert with Mr. Wang Ai Yan under the Takeovers Code, he is deemed to be interested in the Shares held by Mr. Wang Ai Yan.

- (4) Florescent Holdings Limited is owned as to 77.90% by Lian Shun Limited and as to 22.10% by Qunyu Limited.
- (5) Lian Shun Limited is owned as to 61.31% by Mr. Zhu Gen Rong, as to 20.74% by Mr. Wang Ai Yan and as to 17.95% by Mr. Liu Chuan Jiang.
- (6) As Mr. Wang Ai Yan is regarded as one of the parties acting in concert with Mr. Zhu Gen Rong under the Takeovers Code, he is deemed to be interested in the Shares held by Mr. Zhu Gen Rong and the Shares where Mr. Zhu Gen Rong is deemed to be interested in under the SFO.

(b) Substantial Shareholders' interests

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to the Directors or chief executive of the Company, the following persons (other than the Directors and the chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying shares (including any interest in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the Shares or underlying shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of issued Shares
Florescent Holdings Limited	Beneficial owner	411,854,000	67.49%
Lian Shun Limited	Interest of a controlled corporation	411,854,000 (Note 1)	67.49%
Mr. Liu Chuan Jiang	Person acting in concert	412,662,000 (Notes 2 and 3)	67.62%
Ms. Zhu Ling Yun	Person acting in concert	412,662,000 (Notes 2 and 4)	67.62%

Notes:

- (1) The shares are registered in the name of Florescent Holdings Limited, a company owned as to 77.90% by Lian Shun Limited. Under the SFO, Lian Shun Limited is deemed to be interested in the shares held by Florescent Holdings Limited.

- (2) With reference to the announcement of the Company dated 8 November 2015 in relation to the disposal of 7.52% interests in Lian Shun Limited by Ms. Zhu Ling Yun and Mr. Zhu Gen Rong and the deed of termination of the acting-in-concert arrangement among Mr. Zhu Gen Rong, Ms. Zhu Ling Yun, Mr. Wang Ai Yan and Mr. Liu Chuan Jiang, as the Company has not yet obtained confirmation from the Executive (as defined under the Takeovers Code) that it can be accepted that they are no longer acting in concert pursuant to note 3 to the definition of “acting in concert” of the Takeovers Code, therefore, Mr. Zhu Gen Rong, Mr. Wang Ai Yan, Mr. Liu Chuan Jiang and Ms. Zhu Ling Yun will continue to be deemed to be interested in the Shares held by each of the other parties and the Shares where each of the other parties is deemed to be interested in under the SFO.
- (3) As Mr. Liu Chuan Jiang is regarded as one of the parties acting in concert with Mr. Zhu Gen Rong and Mr. Wang Ai Yan under the Takeovers Code, he is deemed to be interested in the Shares held by Mr. Zhu Gen Rong and Mr. Wang Ai Yan and the Shares where Mr. Zhu Gen Rong and Mr. Wang Ai Yan are deemed to be interested in under the SFO.
- (4) As Ms. Zhu Ling Yun is regarded as one of the parties acting in concert with Mr. Zhu Gen Rong and Mr. Wang Ai Yan under the Takeovers Code, she is deemed to be interested in the Shares held by Mr. Zhu Gen Rong and Mr. Wang Ai Yan and the Shares where Mr. Zhu Gen Rong and Mr. Wang Ai Yan are deemed to be interested in under the SFO.

3. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date,

- (a) none of the Directors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group; and
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2016, the date to which the latest published audited consolidated financial statements of the Company were made up.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or his or her respective close associates was considered to have an interest in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors or his or her close associates were appointed to represent the interests of the Company and/or the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Enlarged Group which is not determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

6. LITIGATION

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

7. MATERIAL CONTRACTS

The following are contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) entered into by the members of the Enlarged Group within the two years immediately preceding the date of this circular and which is or may be material:

- (a) the sale and purchase agreement dated 6 December 2015 entered into between Zhejiang Huazhang Technology Limited, a wholly-owned subsidiary of the Company, as purchaser and 李光明 (Li Guang Ming*), 黃漢濤 (Huang Han Tao*), 熊學敏 (Xiong Xue Min*), 蘇勁秋 (Su Jing Qiu*), 嚴正 (Yan Zheng*) and 何敏俊 (He Min Jun*) as vendors in relation to the acquisition of 70% of the registered share capital of 武漢市武控系統工程有限公司 (Wuhan Wukong Control System Engineering Co., Limited*) at a consideration of RMB7,420,000;
- (b) the sale and purchase agreement dated 2 August 2016 entered into between the WFOE as purchaser and 河南省礦山起重機有限公司 (Henan Mine Crane Co., Ltd*) as vendor in relation to the sale and purchase of cranes and installation of relevant ancillary appliances at a consideration of RMB8,427,820;
- (c) the service agreement dated 12 August 2016 entered into between the WFOE and 深圳市威警安全技術有限公司陽江分公司 (Yangjiang Branch of Shenzhen Weijing Security Technology Co., Ltd*) as service provider in relation to the procurement and painting of fire-resistant coating of structural steel at a consideration of RMB2,780,000;
- (d) the sale and purchase agreement dated 15 November 2016 entered into between the WFOE as purchaser and 中山市托利衡器有限公司 (Zhongshan Tuoli Accurate Weight Co., Ltd*) as vendor in relation to the sale and purchase of a digital vehicle scale at a consideration of RMB546,600;
- (e) the service agreement dated 21 November 2016 entered into between the WFOE and 深圳市威警安全技術有限公司陽江分公司 (Yangjiang Branch of Shenzhen Weijing Security Technology Co., Ltd*) as service provider in relation to the installation of fire hydrant system, water monitor extinguishing system and linkage control system, automatic fire alarm system, fire resistant roller shutter system and emergency evacuation system at a consideration of RMB11,000,000;
- (f) the service agreement dated 30 November 2016 entered into between the WFOE and 深圳市道瀚門業有限公司 (Shenzhen DoorHan Door Production Co., Ltd*) as service provider in relation to the supply and installation of lifting doors of warehouse project at a consideration of RMB2,300,742;

- (g) the service agreement dated 21 December 2016 entered into between the WFOE and 深圳市航通智能技術有限公司 (Shenzhen Castel Intelligent Technology Co., Ltd.*) as service provider in relation to the design, installation and maintenance of 陽江保稅物流倉海關 (Yangjiang Bonded Logistics Warehouse Customs*) electronic checkpoint at a consideration of RMB518,000;
- (h) the subscription agreement dated 29 March 2017 entered into between the Company as issuer and Kaiser Asset Management Limited as subscriber in relation to the subscription of 5.0% convertible bonds due 2019 in an aggregate principal amount of HK\$100,000,000;
- (i) the service agreement dated 31 March 2017 entered into between the WFOE and 陽江市宇光電力建設工程有限公司 (Yangjiang Yuguan Electric Power Construction Engineering Co., Ltd.*) as service provider in relation to the power distribution project of high voltage electrical contact point to low voltage cabinets engineering at a consideration of RMB980,000;
- (j) the service agreement dated 5 April 2017 entered into between the WFOE and 廣東迪浪科技股份有限公司 (Guangdong Dilang Technology Holding Co., Ltd.*) as service provider in relation to the 陽江保稅物流倉儲基地系統集成工程項目 (Yangjiang Bonded Logistics Warehousing Base System Integration Project*) at a consideration of RMB2,300,000;
- (k) the sale and purchase agreement dated 23 May 2017 entered into between the Company as purchaser and 張海暉 (Zhang Hai Hui*), 蔣屹東 (Jiang Yi dong*) and 崔良溶 (Cui Liang Rong*) as vendors in relation to the acquisition of the entire equity interest in 杭州豪榮科技有限公司 (Hangzhou Haorong Technology Co., Ltd.*) and 杭州美辰紙業技術有限公司 (Hangzhou MCN Paper Tech Co., Ltd.*) and the benefit (subject to the burden) of the partly performed contracts entered into by Sunplus Industrial Co., Limited in relation to its sales of headbox business at an initial consideration of RMB34,000,000 (subject to adjustment) (as amended by a letter dated 24 July 2017 entered into between the purchaser and the vendors in relation to the extension of long stop date of the transaction contemplated under the sale and purchase agreement); and
- (l) the Sale and Purchase Agreement.

8. EXPERTS AND CONSENTS

The following is the qualification of each of the experts whose statements have been included in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Colliers International (Hong Kong) Limited	Independent property valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter or opinion as set out in this circular and references to name in the form and context in which it appears in this circular.

As at the Latest Practicable Date, each of the above experts had no shareholding directly or indirectly in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group, nor did it have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2016, the date to which the latest published audited financial statements of the Company were made up.

9. GENERAL

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at Unit No. 5A, 8th Floor, Tower 1, South Seas Centre, 75 Mody Road, Kowloon, Hong Kong.
- (c) The company secretary of the Company is Mr. Chan So Kuen, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over their Chinese text in case of inconsistencies.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit No. 5A, 8th Floor, Tower 1, South Seas Centre, 75 Mody Road, Kowloon, Hong Kong on any Business Day for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 30 June 2015, 2016 and 2017 respectively;
- (c) the accountant's reports of the Target Group, the text of which is set out in Appendix II of this circular;

- (d) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;
- (e) the valuation report issued by the Independent Property Valuer, the text of which is set out in Appendix V of this circular;
- (f) the written consent of each of the experts referred to in the section headed “Experts and Consents” in this Appendix;
- (g) the material contracts referred to in the section headed “Material Contracts” in this Appendix; and
- (h) this circular.

NOTICE TO THE EGM



華章科技控股有限公司
Huazhang Technology Holding Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1673)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “EGM”) of Huazhang Technology Holding Limited (the “Company”) will be held at Room 805A, 8/F, Tower 1, South Seas Centre, 75 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on 25 October 2017 at 2:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular of the Company dated 10 October 2017 shall have the same meanings when used in this notice unless otherwise specified.

ORDINARY RESOLUTION

“THAT:

- (a) the Sale and Purchase Agreement (a copy of which has been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purpose of identification) and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares, the Directors be and are hereby authorised to allot and issue the Consideration Shares in accordance with the terms and conditions of the Sale and Purchase Agreement; and
- (c) any one Director be and is hereby authorised to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things that are of administrative nature only and ancillary to the transaction contemplated under the Sale and Purchase Agreement, as he/she may in his or her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Sale and Purchase Agreement and the transaction contemplated thereunder, including the allotment and issue of the Consideration Shares, and to agree to such variations of the term and conditions of the Sale and Purchase Agreement and the transaction contemplated thereunder that are of administrative nature only as he or she may in his or her absolute discretion consider necessary or desirable.”

Yours faithfully,
By order of the Board
Huazhang Technology Holding Limited
ZHU GEN RONG
Chairman

NOTICE TO THE EGM

Registered office:

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:

Room 805A, 8/F
Tower 1, South Seas Centre
75 Mody Road, Tsim Sha Tsui
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarial certified copy of such power of attorney or authority, must be deposited with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjourned EGM.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the EGM.