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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in HJ Capital (International) Holdings Company Limited, you should at once hand this circular, together with the accompanying form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**HJ Capital (International) Holdings Company Limited**  
**華金國際資本控股有限公司\***  
(Incorporated in Bermuda with limited liability)  
(Stock code: 982)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN  
THE TARGET COMPANY GROUP IN RELATION TO  
THE FINANCIAL SERVICES BUSINESS  
(2) RE-ELECTION OF DIRECTORS  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser to the Company**



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



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Capitalised terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from Somerley Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 32 of this circular.

A notice convening the SGM to be held at 3:00 p.m. on Monday, 30 November 2020 at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, 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 holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be), if you so wish.

\* For identification purpose only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions shall have the meanings set out below:*

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday and Sunday) on which commercial banks in Hong Kong and the PRC are open for general business
“Company”	HJ Capital (International) Holdings Company Limited (華金國際資本控股有限公司*), a company incorporated in Bermuda with limited liability, the shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 982)
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
“Completion Date”	the date on which Completion takes place
“Condition(s)”	the condition(s) precedent of the Sale and Purchase Agreement as set out in the section titled “Conditions Precedent” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total consideration of the Disposal, being HK\$123,394,484
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries from time to time

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK Huafa”	Hong Kong Huafa Investment Holdings Limited (香港華發投資控股有限公司), a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of Zhuhai Huafa, and is the holding company of the Purchaser
“HKFRSs”	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
“Huajin Investment”	Huajin Investment Company Limited (鑄金投資有限公司), a company incorporated in Samoa with limited liability, the Company’s controlling shareholder holding approximately 36.88% of the total issued capital of the Company, and a direct wholly-owned subsidiary of HK Huafa and an indirect wholly-owned subsidiary of Zhuhai Huafa
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr Guo Shihai, established to give recommendation to the Independent Shareholders in respect of the Disposal
“Independent Shareholders”	Shareholders other than Huajin Investment and its associates
“Latest Practicable Date”	12 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021, or such other date as extended in accordance with the Sale and Purchase Agreement, or as the Company and the Purchaser may agree in writing
“PRC”	the People’s Republic of China

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## DEFINITIONS

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“Purchaser”	Huajin Financial Holdings Company Limited, a company incorporated with limited liability under the laws of the the British Virgin Islands and directly wholly-owned by HK Huafa and indirectly wholly-owned by Zhuhai Huafa
“Re-election of Directors”	the re-election of Mr. Pu Yonghao and Mr. Guo Shihai as independent non-executive Directors and Ms. Zhou Youfen as a non-executive Director
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 23 September 2020 and entered into between the Company and the Purchaser
“Sale Shares”	the entire issued share capital of each member of the Target Company Group
“Shares”	ordinary shares of HK\$0.00025 each in the share capital of the Company
“SGM”	the special general meeting of the Company to be held to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder and the Re-election of Directors
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Somerley Capital”	Somerley Capital Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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- “Target A”
- Huajin Financial (International) Holdings Limited (華金金融(國際)控股有限公司), a company incorporated with limited liability under the laws of Hong Kong, and a direct wholly-owned subsidiary of the Company and the holding company of (i) Huajin Securities (International) Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity, (ii) Huajin Futures (International) Limited, a corporation licensed under the SFO to carry out Type 2 (dealing in future contracts) regulated activity, (iii) Huajin Research (International) Limited, a corporation licensed under the SFO to carry out Type 4 (advising on securities) regulated activity, and (iv) Huajin Finance (International) Limited, a corporation holding a money lender’s licence under the Money Lenders Ordinance (chapter 163 of the laws of Hong Kong)
- “Target B”
- Huajin International Investment Management Limited (華金國際投資管理有限公司), a company incorporated with limited liability under the laws of Hong Kong, and a direct wholly-owned subsidiary of the Company and a corporation licensed under the SFO to carry out Type 9 (asset management) regulated activity
- “Target C”
- WAG Worldsec Corporate Finance Limited (華高和昇財務顧問有限公司), a company incorporated with limited liability under the laws of Hong Kong, and a direct wholly-owned subsidiary of the Company and a corporation licensed under the SFO to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
- “Target D”
- Huajin International China Investment Limited (華金國際中國投資有限公司), a company incorporated with limited liability under the laws of the Hong Kong, and a direct wholly-owned subsidiary of the Company
- “Target E”
- Huajin International Hong Kong Management Limited (華金國際香港管理有限公司), a company incorporated with limited liability under the laws of Hong Kong, and a direct wholly-owned subsidiary of the Company

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## DEFINITIONS

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“Target F”	Huajin International Investment (Cayman) Limited (華金國際投資(開曼)有限公司), a company incorporated with limited liability under the laws of the Cayman Islands, and a direct wholly-owned subsidiary of the Company
“Target G”	Huajin International Investment (Cayman) LP Limited (華金國際投資(開曼)有限合夥人有限公司), a company incorporated with limited liability under the laws of the Cayman Islands, and a direct wholly-owned subsidiary of the Company
“Target H”	Huajin International (BVI) Limited (華金國際(BVI)有限公司), a company incorporated with limited liability under the laws of the British Virgin Islands, and a direct wholly-owned subsidiary of the Company
“Target Company Group”	Collectively, Target A, Target B, Target C, Target D, Target E, Target F, Target G and Target H
“Valuation Report”	the valuation report prepared by Greater China Appraisal Limited, an independent valuer, adopting the market approach in respect of the market value of the entire equity interests of the Target Company Group as at 30 June 2020, details of which are set out in Appendix I to this circular
“Zhuhai Huafa”	Zhuhai Huafa Group Co., Ltd.* (珠海華發集團有限公司), a state-owned enterprise wholly-owned by State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People’s Government* (珠海市人民政府國有資產監督管理委員會) and a controlling shareholder of the Company

*For illustrative purpose, the conversion of RMB into HK\$ is made at the rate of RMB1.00 = HK\$1.13.*

*The English translation of Chinese names or words marked with \* in this circular, where indicated, is included for identification purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

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LETTER FROM THE BOARD

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HJ Capital (International) Holdings Company Limited  
**華金國際資本控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 982)**

*Executive Directors:*

Mr. Li Guangning (*Chairman*)  
Mr. Xie Wei (*Chief Executive Officer*)  
Ms. Guo Jin  
Mr. Tze Kan Fat

*Registered office:*

Clarendon House 2  
Church Street  
Hamilton HM11  
Bermuda

*Non-executive Directors:*

Ms. Zhou Youfen  
Mr. Shong Hugo

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

Unit 3605, 36/F  
Cheung Kong Center  
2 Queen's Road Central  
Central, Hong Kong

*Independent Non-executive Directors:*

Dr. Chen Jieping  
Mr. Pu Yonghao  
Mr. Guo Shihai

16 October 2020

*To the Shareholders*

Dear Sir/Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN  
THE TARGET COMPANY GROUP IN RELATION  
TO THE FINANCIAL SERVICES BUSINESS  
(2) RE-ELECTION OF DIRECTORS  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 23 September 2020 in relation to the Disposal.



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## LETTER FROM THE BOARD

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Reference is also made to the announcements of the Company dated 29 May 2020, 17 July 2020 and 25 September 2020 in relation to the appointment of Mr. Pu Yonghao as an independent non-executive Director, Mr. Guo Shihai as an independent non-executive Director and Ms. Zhou Youfen as a non-executive Director, respectively.

On 23 September 2020 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement in relation to the Disposal, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares, at the Consideration of approximately HK\$123.4 million.

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being an indirect wholly-owned subsidiary of Zhuhai Huafa and a direct wholly-owned subsidiary of HK Huafa, which together with Zhuhai Huafa are controlling Shareholders. Accordingly, the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Pu Yonghao, who was appointed by the Board as an independent non-executive Director on 1 June 2020, to fill the casual vacancy, shall in accordance with the bye-laws of the Company hold office until the SGM and will offer himself for re-election at the SGM. Mr. Guo Shihai, who was appointed by the Board as an independent non-executive Director on 21 July 2020, to fill the casual vacancy, shall in accordance with the bye-laws of the Company hold office until the SGM and will offer himself for re-election at the SGM. Ms. Zhou Youfen, who was appointed by the Board as a non-executive Director on 28 September 2020, to fill the casual vacancy, shall in accordance with the bye-laws of the Company hold office until the SGM and will offer herself for re-election at the SGM.

The purpose of this circular is to provide you with, among other things, (i) details of the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) the letter of advice from Somerley Capital to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; (iv) information on the Re-election of Directors; and (v) the notice of SGM.

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## LETTER FROM THE BOARD

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### SALE AND PURCHASE AGREEMENT

#### Date

23 September 2020 (after trading hours)

#### Parties

- (i) The Company as the vendor; and
- (ii) Huajin Financial Holdings Company Limited as the Purchaser

#### Assets to be disposed of

The Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares. The Sale Shares, representing the entire issued share capital of each member of the Target Company Group, will be sold free from encumbrances and together with all rights attaching thereto from Completion, including any dividend or other distribution to be declared, made or paid upon or after Completion (for the avoidance of doubt, dividends and other distributions declared or made by the Target Company Group before the Completion but remain unpaid on the Completion Date shall be entitled by the Company). The Target Company Group is principally engaged in financial services business, details of which are set out in the section headed “Information on the Target Company Group” below.

#### Consideration

The Consideration, being approximately HK\$123.4 million, was determined after arm’s length negotiations between the Company and the Purchaser, with reference to (i) unaudited combined net asset value of the Target Company Group attributable to the Company as at 30 June 2020 of approximately HK\$123.4 million; (ii) valuation of the market value of the entire equity interests of the Target Company Group as at 30 June 2020 of approximately HK\$119.3 million as appraised by an independent professional valuer based on market approach in the Valuation Report; (iii) the historical financial performance of the Target Company Group; and (iv) the prevailing market conditions as set out under the section headed “Reasons for and benefits of the Disposal” below. The Consideration shall be settled in full by cash on the Completion Date.

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## LETTER FROM THE BOARD

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### Conditions precedent

The Completion shall be conditional upon the fulfillment or (as appropriate) waiver of each of the following conditions on or before the Long Stop Date:

- (a) the Company having obtained all necessary consents, approvals and authorisations from relevant government authorities or other third parties in Hong Kong or other jurisdictions in respect of the execution and performance of the Sale and Purchase Agreement (including but not limited to the obtaining of Independent Shareholders' approval at the SGM by the Company pursuant to the Listing Rules);
- (b) the Target Company Group having obtained all necessary consents and approvals from third parties in respect of the change of shareholder of the Target Company Group such that the Target Company Group shall maintain all its existing material contracts and other rights after Completion (if any);
- (c) the Company, the Purchaser and the Target Company Group having obtained all their respective necessary approvals, authorisations, consents, filings and registrations from the government authorities, regulatory bodies, exchanges, courts, other judiciaries or any other institutions with supervisory functions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and having completed all necessary notification and filing procedures (including but not limited to the Purchaser having obtained the SFC's approval in respect of the acquisition of the Sale Shares (where required) and becoming the substantial shareholder of each of the following subsidiaries of Target A, namely, Huajin Securities (International) Limited, Huajin Futures (International) Limited, and Huajin Research (International) Limited, Target B and Target C);
- (d) the representations and warranties provided by the Company under the Sale and Purchase Agreement remaining true, accurate and not misleading in all respects at the Completion.

Save for condition (d) above which may be waived in writing at the absolute discretion of the Purchaser, none of the conditions set out above can be waived by any party to the Sale and Purchase Agreement.

As at the Latest Practicable Date, none of the above conditions had been fulfilled or waived (as the case may be) and to the best knowledge and belief of the Directors, no necessary consents or approvals referred to in condition (b) above have been identified so far.

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## LETTER FROM THE BOARD

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If any of the above conditions is not fulfilled or waived (as the case may be) on the Long Stop Date, the Purchaser has the right to do the following at its discretion:

- (i) waive the condition that has not been fulfilled (except for conditions (a), (b) and (c) above which are not waivable);
- (ii) extend the Long Stop Date to the ninetieth (90<sup>th</sup>) Business Day immediately after the Long Stop Date or any other date to be mutually agreed by the parties; or
- (iii) terminate the Sale and Purchase Agreement, where the rights and obligations of the parties to the Sale and Purchase Agreement shall cease and determine save for any antecedent breaches of the terms thereof and the announcement and disclosure restrictions under the Sale and Purchase Agreement.

### **Completion**

Completion shall take place on the fifth (5<sup>th</sup>) Business Day after all the conditions above have been fulfilled or waived (as the case may be) or such other date as the Company and the Purchaser may agree.

### **INFORMATION ON THE COMPANY**

The Company is an investment holding company incorporated in Bermuda. The principal business activities of the Group are the provision of (i) property management services in the PRC; (ii) hotel management, hotel advisory and exhibition services in the PRC; and (iii) financial advisory services, securities underwriting and consultancy, securities and futures brokerage, equity research business, asset management and money lending business in Hong Kong.

### **INFORMATION ON THE PURCHASER**

The Purchaser is a company incorporated under the laws of the British Virgin Islands and is directly wholly-owned by HK Huafa and indirectly wholly-owned by Zhuhai Huafa. The principal business activity of the Purchaser is investment holding.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE TARGET COMPANY GROUP

The Target Company Group is principally engaged in the provision of financial services, including financial advisory, securities underwriting and consultancy, securities and futures brokerage, asset management, equity research and financial consultancy, and money lending in Hong Kong. The Target Company Group, through Target A and its wholly-owned subsidiaries, Target B and Target C hold the licences to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and hold a money lender's licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Target D, Target E, Target F, Target G and Target H, which are mainly investment vehicles of the asset management business, are inactive companies with no material business activities.

Set out below are the combined financial information of the Target Company Group as extracted from its unaudited combined financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2020 and audited combined financial statements for the year ended 31 December 2019 respectively, which were prepared in accordance with the HKFRSs:

	<b>For the year ended 31 December 2018 HK\$'000 (Unaudited)</b>	<b>For the year ended 31 December 2019 HK\$'000 (Audited)</b>	<b>For the six months ended 30 June 2020 HK\$'000 (Unaudited)</b>
Revenue	94,161	58,552	34,898
Profit/(Loss) before taxation	(7,323)	(9,450)	(5,668)
Profit/(Loss) after taxation	(5,096)	(10,159)	(5,692)

As at 30 June 2020, the unaudited combined net asset value of the Target Company Group was HK\$123,394,484.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE DISPOSAL

Looking back the US-China trade confrontation and the social movements in Hong Kong since 2019, the unfavourable market conditions have already cast shadow on both the capital and initial public offering markets in Hong Kong. The outbreak of COVID-19 epidemic in the globe has further devastated the local and global economy. On local level, the Hong Kong stock market disoriented and Hong Kong slumped into economic contraction in the fourth consecutive quarter of year-over-year decline in GDP. According to half-yearly economic report 2020 issued by the Office of the Government Economist and Financial Secretary's Office of the Government of the Hong Kong Special Administrative Region, the real GDP fell notably by 9.0% year-on-year in the second quarter, following the record decline of 9.1% in the preceding quarter. Hong Kong's short-term economic outlook is still highly uncertain. As an open and export-oriented economy, Hong Kong and its financial market were inevitably caught in the downdraft.

Owing to the intensive peer competition in the financial services industry and the fluctuations in the market conditions, the financial results of the Target Company Group deteriorated recorded combined net losses of approximately HK\$5.1 million (unaudited), HK\$10.2 million (audited) and HK\$5.7 million (unaudited) for the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020, respectively. Coupled with recent continuing political tension between U.S. and China bringing more uncertainties to the global investment environment, Hong Kong is facing severe challenges as a result of increasing global economy's downward pressure that in turn affects the financial market in Hong Kong. With the macroeconomic slowdown and intensifying market volatility, the financial services business of the Group has become more challenging in the sense of business prospect. Further, the more cautious market sentiment towards capital raising plans has also significantly and adversely impact on new listing activities on the Stock Exchange. The total number of successful new listings on the Main Board and GEM of the Stock Exchange decreased from 218 cases in 2018 to 183 cases in 2019. The number of successful new listings on the Main Board and GEM of the Stock Exchange for the first eight months of 2020 has decreased by approximately 39.3% and 9.9% as compared to the corresponding period in 2018, in the year where Hang Seng Index reached its all-time high and 2019, respectively. The decrease in new listings were especially concerned with the mid-cap and small-cap listing applicants which are the main target clients that the Target Company Group has been focusing on. The Directors believe that the macroeconomic downturn and the slowdown in capital and initial public offering activities on the mid-cap and small-cap issuers are unfavourable to the development of the financial services business of the Group. In addition, the margin financing business and money lending business of the Group have been significantly restricted by our limited idle financial resources, which in turn making our securities and future brokerage business less competitive and unappealing to our potential clients.

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## LETTER FROM THE BOARD

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On the other hand, after the completion of acquisition of Huafa Property Management Services (Hong Kong) Limited (華發物業管理服務(香港)有限公司) (formerly known as Concord Bright Holdings Limited (和輝集團有限公司)) in January 2020, the Group has commenced the provision of property management services and related value-added services in the PRC (the “**Property Management Business**”). For the two years ended 31 December 2017 and 2018 and for the six months ended 30 June 2019 and 2020, the Property Management Business recorded revenue amounted to approximately RMB473.2 million (audited), RMB630.1 million (audited), RMB348.3 million (audited) and HK\$471.2 million (equivalent to approximately RMB417.0 million) (unaudited), respectively, with net profit for the same period amounted to approximately RMB38.6 million (audited), RMB57.3 million (audited), RMB43.2 million (audited) and HK\$84.9 million (equivalent to approximately RMB75.1 million) (unaudited), respectively. The Property Management Business is expected to bring recurring income generated from expanding property projects, stable customer base and lower sensitivity to macro economy. With the continuous ramp-up of urbanization, growing urban population and expanding real estate market in the PRC, as well as the strong and stable ties between the Group’s property management business with its controlling shareholder, Zhuhai Huafa, a leading property developer in Zhuhai with footprint all over the PRC, the Property Management Business is expected to bring favourable conditions to the Group for the development of the Chinese property management industry which will broaden the Group’s revenue streams and generate long-term growth of the Group in terms of profit and cashflow. The Directors consider that the Property Management Business has become the business focus of the Group and become the major source of income of the Group where the revenue generated from the Property Management Business accounted for 84.6% of total revenue of the Group for the six months ended 30 June 2020.

Given the Group’s financial services business has been continuously underperformed for the past years together with the uncertainties in the financial market in Hong Kong, while the Group has established a robust and profitable Property Management Business, the Directors consider that the Disposal allows the Company (i) to have a more defined business focus on property management business and efficient resource allocation; (ii) to provide investors and financiers with greater clarity on the operations and financial condition of the Group with its more defined business focus, so as to form their investment decisions with a better understanding of the operating results, financial condition, management, strategies, risks and return of the Group; and (iii) to improve the financial performance and capital structure of the Group.

Having taken into account the above factors and that the Consideration for the Sale Shares approximates to the unaudited combined net asset value of the Target Company Group attributable to the Company and the appraised market value of the Sale Shares as at 30 June 2020, coupled with the proceeds from the Disposal enhancing cash reserve of the Company, the Directors (excluding the independent non-executive Directors whose opinion will be set out in this circular to the Independent Shareholders after taking into account the advice of Somerley Capital) are of the view that the Sale and Purchase Agreement was entered into on normal commercial terms and the Disposal contemplated thereunder is fair and reasonable and consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Basis of consideration**

The Board is of the view that the Consideration for the Sale Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole after having taken into account (i) the unaudited combined net asset value of the Target Company Group attributable to the Company as at 30 June 2020; (ii) valuation of the market value of the entire equity interests of the Target Company Group as at 30 June 2020 as appraised by an independent professional valuer based on market approach as set out in the Valuation Report (the “**Valuation**”); (iii) the historical financial performance of the Target Company Group; and (iv) the prevailing market conditions as set out under the section headed “Reasons for and benefits of the Disposal” above.

As advised by Greater China Appraisal Limited, having considered various valuation multiples, price-to-book (“**P/B**”) is preferable in the Valuation. As the Target Company Group has been loss making in recent years, which makes the use of price-to-earnings (“**P/E**”), enterprise value/earnings before interests, taxes (“**EV/EBIT**”), and enterprise value/earnings before interests, taxes, depreciation and amortization (“**EV/EBITDA**”) multiples impracticable, while price-to-sales (“**P/S**”), enterprise value/sales (“**EV/S**”) multiples could not reflect the profitability of the Target Company Group and thus these multiples are not preferable in this valuation. The Board (including the independent non-executive Directors) is of the view that the P/B ratio is an appropriate valuation multiple for capital-intensive financial businesses of the Target Company Group. The Board (including the independent non-executive Directors) considers the Valuation based on market approach is most appropriate as there was sufficient number of comparable companies available in the markets which facilitate a meaningful comparison and provide inputs for determining the valuation multiple.

The Valuation was determined by reference to the average P/B ratio of a number of selected guideline public companies (the “**Guideline Public Companies**”) listed in Hong Kong principally engaged in similar business as that of the Target Company Group multiplied by the net book value of the Target Company Group, and adjusted the amount by adopting the control premium (the “**Control Premium**”) of the valuation of 9.8% and the discount for lack of marketability (the “**DLOM**”) of the Target Company Group of -15.8%. As advised by Greater China Appraisal Limited, extreme multiples at upper and lower sides have been excluded when selecting Guideline Public Companies, and the Control Premium and DLOM are adopted with reference to Mergerstat Review and Stout Restricted Stock Study, respectively, which are widely used and accepted databases of Control Premium and DLOM available to the market participants. As such, the Board (including the independent non-executive Directors) is of the view that the Guideline Public Companies constitute a fair and representative sample, and the adoption of Control Premium and DLOM as stated in the Valuation Report is appropriate and suitable for the valuation of the Target Company Group.



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## LETTER FROM THE BOARD

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Based on the above, the Board (including the independent non-executive Directors) is of the view that the Valuation is fair and reasonable after taking into account that (i) the adoption of the market approach is the most appropriate valuation approach; (ii) the selection criteria of the Guideline Public Companies as stated in the Valuation Report, and the selected Guideline Public Companies constitute a fair and representative sample; (iii) the selection of the valuation multiple (i.e. the P/B) is commonly adopted to value those companies which are engaged in financial service business; (iv) the adoption of the Control Premium of 9.8% and DLOM of -15.8% as stated in the Valuation Report is appropriate and suitable for the valuation of the Target Company Group.

In view of the above, the Board (including the independent non-executive Directors) is of the view that the terms of the Sale and Purchase Agreement (including the Consideration) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **FINANCIAL EFFECTS OF THE DISPOSAL**

Immediately after the Completion, the Target Company Group will cease to be the subsidiaries of the Company and the financial results of the Target Company Group will no longer be consolidated into the Company's financial statements. As the Target Company Group represents the entire financial services segment of the Company, the Company will cease to operate such segment after the Disposal.

It is estimated that the Group will record a loss on the Disposal in the amount of approximately HK\$13.2 million, which is calculated based on the difference between the Consideration and (i) the unaudited combined net asset value of the Target Company Group attributable to the Company as at 30 June 2020; (ii) the estimated transaction costs in relation to the Disposal of approximately HK\$2.6 million; and (iii) the associated goodwill attributable to the Target Company Group of approximately HK\$10.6 million which was generated from the previous acquisition of the entire equity interest in Target C by the Company in 2016 and arose from the difference between the consideration and the net asset acquired. The actual gain or loss arising from the Disposal will be dependent on the combined net asset value of the Target Company Group attributable to the Company as of the Completion Date, and will be subject to the review and audit by the auditor of the Company and may be different from the expected amount as stated above.

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## LETTER FROM THE BOARD

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The net proceeds from the Disposal are intended to be used by the Group in the following manner: (i) approximately 60% of net proceeds would be allocated for strategic acquisition opportunities relating to Company's core business (i.e. property management) which is in line with the business strategy and long-term development objective of the Company, and in the event that the Company cannot identify suitable strategic acquisition opportunities, such net proceeds would be allocated for the repayment of outstanding debt of the Group; (ii) approximately 20% of net proceeds would be allocated for the repayment outstanding debt of the Group; and (iii) approximately 20% of net proceeds would be allocated for the general working capital such as rental cost and administrative cost, subject to the ongoing assessment of the Group's business development and funding requirements from time to time for future allocation of the proceeds to various potential uses. As at the Latest Practicable Date, the Company had been exploring and looking for the strategic acquisition opportunities but had yet identified any suitable targets for such potential acquisition.

### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

The Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being an indirect wholly-owned subsidiary of Zhuhai Huafa and a direct wholly-owned subsidiary of HK Huafa, which together with Zhuhai Huafa are controlling shareholders of the Company. Accordingly, the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Somerley Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The voting in respect of the Disposal and the Re-election of Directors at the SGM will be conducted by way of a poll. Huajin Investment (an indirect wholly-owned subsidiary of Zhuhai Huafa and a direct wholly-owned subsidiary of HK Huafa) and its associates are required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Disposal and is required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the SGM.

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## LETTER FROM THE BOARD

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Since all executive Directors are also directors or senior management members of Zhuhai Huafa and Ms. Zhang Kuihong, a non-executive Director at the material time, is holding a management position in a subsidiary of Zhuhai Huafa and therefore are deemed to have material interests in the Disposal and the Sale and Purchase Agreement, each of them has abstained from voting on the board resolutions approving the Disposal and the transactions contemplated under the Sale and Purchase Agreement.

### RE-ELECTION OF DIRECTORS

Mr. Pu Yonghao has been appointed by the Board as an independent non-executive Director with effect from 1 June 2020. Mr. Guo Shihai has been appointed by the Board as an independent non-executive Director with effect from 21 July 2020. Ms. Zhou Youfen has been appointed by the Board as a non-executive Director with effect from 28 September 2020. In accordance with the Company's bye-law 86(2), Mr. Pu Yonghao, Mr. Guo Shihai and Ms. Zhou Youfen will hold office until the SGM and will offer themselves for re-election. The biographical details of Mr. Pu Yonghao, Mr. Guo Shihai and Ms. Zhou Youfen are set out in Appendix III to this circular.

### SGM

The SGM will be convened and held at 3:00 p.m. on Monday, 30 November 2020 at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder and the Re-election of Directors.

The notice of SGM is set out on pages SGM-1 to SGM-3. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, 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 holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be), if you so wish.

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 25 November 2020 to Monday, 30 November 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 November 2020.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) consider that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

The Board also recommends the Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the re-election of Mr. Pu Yonghao and Mr. Guo Shihai as independent non-executive Directors and Ms. Zhou Youfen as a non-executive Director.

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder after taking into account the advice of Somerley Capital, and the letter from Somerley Capital as set out on pages 21 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

### ADDITIONAL INFORMATION

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

Yours faithfully,

For and on behalf of the Board

**HJ Capital (International) Holdings Company Limited**

**Li Guangning**

*Executive Director and Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.*



**HJ Capital (International) Holdings Company Limited**  
**華金國際資本控股有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock code: 982)**

16 October 2020

*To the Independent Shareholders*

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN  
THE TARGET COMPANY GROUP  
IN RELATION TO THE FINANCIAL SERVICES BUSINESS**

We refer to the circular of the Company dated 16 October 2020 (the “**Circular**”) of which this letter forms part. Capitalised terms used herein have the same meanings as those defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to give recommendation to you in respect of the Disposal. Somerley Capital has been appointed as the independent financial adviser to advise you and us in this regard. Details of their advice, together with the principal factors and reasons they have taken into account, are contained in their letter set out on pages 21 to 32 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to this Circular.

\* For identification purpose only

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### RECOMMENDATION

Having considered the advice of Somerley Capital, we are of the opinion that (i) the Disposal, though not in the ordinary and usual course of business of the Group, is in line with the business strategy of the Group; (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Dr. Chen Jieping**

*Independent non-executive*

*Director*

**Mr. Pu Yonghao**

*Independent non-executive*

*Director*

**Mr. Guo Shihai**

*Independent non-executive*

*Director*

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## LETTER FROM SOMERLEY CAPITAL

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*The following is the letter of advice from the independent financial adviser, Somerley Capital Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**

20th Floor, China Building

29 Queen's Road Central

Hong Kong

16 October 2020

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN  
THE TARGET COMPANY GROUP  
IN RELATION TO THE FINANCIAL SERVICES BUSINESS**

**INTRODUCTION**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and Independent Shareholders in connection with the Disposal pursuant to the Sale and Purchase Agreement. Details of the Disposal are set out in the “Letter from the Board” contained in the circular of the Company to the Shareholders dated 16 October 2020 (the “**Circular**”), of which this letter forms part. Unless otherwise specified, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules. The Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being an indirect wholly-owned subsidiary of Zhuhai Huafa and a direct wholly-owned subsidiary of HK Huafa, which together with Zhuhai Huafa are controlling shareholders of the Company. Accordingly, the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. In this connection, the Company will seek the Independent Shareholders’ approval for the Disposal at the SGM.

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## LETTER FROM SOMERLEY CAPITAL

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The Independent Board Committee comprising all three independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, has been established to advise the Independent Shareholders as to whether (i) the Disposal is conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, Somerley Capital Limited has acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to connected transactions as detailed in the Company's circulars dated 13 June, 2 July, 27 August and 27 December 2019. The past engagements were limited to providing independent advisory services to independent board committee and independent shareholders of the Company pursuant to the Listing Rules. Under the past engagements, Somerley Capital Limited received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and the Purchaser that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal as detailed in the Circular.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the SGM. We have also sought and received confirmation from the executive Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group and the Purchaser, nor have we carried out any independent verification of the information supplied.



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## LETTER FROM SOMERLEY CAPITAL

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether (i) the Disposal is conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole, we have taken into account the principal factors and reasons set out below:

#### 1. Reasons for and benefits of the Disposal

The Target Company Group is principally engaged in the provision of financial services, including financial advisory, securities underwriting and consultancy, securities and futures brokerage, asset management, equity research and financial consultancy, and money lending in Hong Kong.

For the years ended 31 December 2018 and 2019 and for the six months ended 30 June 2020, the Target Company Group made a loss after tax of approximately HK\$5.1 million, HK\$10.2 million and HK\$5.7 million respectively. Further details on the financial performance of the Target Company Group are set out in the sub-section headed “Information on the Target Company Group” of this letter below. The financial results of the Target Company Group deteriorated significantly in 2019 amid intensive peer competition and challenges in the financial services industry under the US-China trade confrontation, social movements and the COVID-19 epidemic in Hong Kong. The outbreak of COVID-19 epidemic worldwide has further brought challenges to the local and global economy, which inevitably caught Hong Kong and its financial market, which is an open and export-oriented economy, in the downdraft. According to the half-yearly economic report 2020 issued by the Office of the Government Economist and Financial Secretary’s Office of the Government of the Hong Kong Special Administrative Region, the real GDP fell notably by 9.0% year-on-year in the second quarter of 2020, following the record decline of 9.1% in the preceding quarter. The capital and initial public offering markets in Hong Kong were adversely affected by, among others, the US-China trade confrontation and the social movements in Hong Kong since 2019. As disclosed in the section headed “Reasons for and benefits of the Disposal” in the “Letter from the Board” contained in the Circular and as noted from the website of the Stock Exchange, the total number of successful new listings on the Main Board and GEM of the Stock Exchange decreased from 218 cases in 2018 to 183 cases in 2019. The number of successful new listings on the Main Board and GEM of the Stock Exchange for the first eight months of 2020 has decreased by approximately 39.3% and 9.9% as compared to the corresponding period in 2018 (in the year where Hang Seng Index reached its all-time high) and 2019 respectively. The Directors believe that the macroeconomic downturn and the slowdown in capital and initial public offering activities of the mid-cap and small-cap issuers are unfavourable to the development of the financial services business of the Group, and such financial business is expecting more challenging prospect. In addition, the margin financing business and money lending business of the Group have been significantly restricted by the limited idle financial resources of the Group, which in turn making its securities and future brokerage business less competitive and unappealing to potential clients.

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## LETTER FROM SOMERLEY CAPITAL

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After the completion of acquisition (the “**Acquisition**”) of Concord Bright Holdings Limited (和輝集團有限公司) in January 2020, the Group has commenced the provision of the property management services and related value-added services in the PRC (the “**Property Management Business**”). For the years ended 31 December 2017 and 2018, and for the six months ended 30 June 2019 and 2020, the Property Management Business recorded revenue amounted to approximately RMB473.2 million, RMB630.1 million, RMB348.3 million and HK\$471.2 million (equivalent to approximately RMB417.0 million at the rate of RMB1.00 = HK\$1.13), respectively, with net profit for the same year/period amounted to approximately RMB38.6 million, RMB57.3 million, RMB43.2 million and HK\$84.9 million (equivalent to approximately RMB75.1 million at the rate of RMB1.00 = HK\$1.13), respectively. Revenue generated from the Property Management Business accounted for approximately 84.6% of the Group’s total revenue for the six months ended 30 June 2020. The Directors consider that the Property Management Business has become the business focus and the major source of income of the Group. Further details with respect to the Acquisition are set out in the circular of the Company dated 27 December 2019.

As set out in the abovementioned circular of the Company, the property management group which is wholly-owned by Concord Bright Holdings Limited, is a leading regional residential property management service provider in the PRC with a significant portion of its operations located in Zhuhai, commanding strong brand recognition in securing property management service engagements. The strong and stable ties between the abovementioned property management group with its controlling shareholder, Zhuhai Huafa, a leading property developer in Zhuhai with footprint all over the PRC, is a favourable factor to its future development. On the policy front, policies and guidance, for example, the Guidance on Accelerating the Development of the Resident Service Industry to Promote the Upgrading of Consumption Structure (《關於加快發展生活性服務業促進消費結構升級的指導意見》) published by the State Council of the PRC are indicating the growing importance of the property management industry and are expected to stimulate growth potential of such industry. The increase in real estate investment and saleable area, together with the continuous growth in urbanisation and personal income in the PRC is also expected to contribute to the development of the property management industry. The Directors expect that the Property Management Business will bring recurring income to the Group from expanding property projects and a stable customer base.

As the Group’s financial services business has continuously underperformed for the past years together with the uncertainties in the financial market in Hong Kong, and the Group has established a profitable Property Management Business as a major source of income, the Directors consider, and we concur, that the Disposal is in line with the business strategy of the Group and allows the Company to (i) have a more defined business focus on property management business and a more efficient resource allocation; (ii) provide investors and financiers with greater clarity on the operations and financial condition of the Group with its more defined business focus, so as to form their investment decisions with a

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## LETTER FROM SOMERLEY CAPITAL

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better understanding of the operating results, financial condition, management, strategies, risks and return of the Group; and (iii) improve the financial performance and capital structure of the Group. Further details on the reasons and benefits of the Disposal are set out in the section headed “Reasons for and benefits of the Disposal” in the “Letter from the Board” contained in the Circular.

### **2. Principal terms of the Sale and Purchase Agreement**

Set out below is a summary of the principal terms of the Sale and Purchase Agreement. Further details of the principal terms of the Sale and Purchase Agreement are set out in the section headed “Sale and Purchase Agreement” in the “Letter from the Board” contained in the Circular.

#### **(1) Subject matter**

The Sale and Purchase Agreement was entered into on 23 September 2020 (after trading hours) between the Company and the Purchaser. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares. The Sale Shares, representing the entire issued share capital of each member of the Target Company Group, will be sold free from encumbrances and together with all rights attaching thereto from Completion, including any dividend or other distribution to be declared, made or paid upon or after Completion (for the avoidance of doubt, dividends and other distributions declared or made by the Target Company Group before Completion but remain unpaid on the Completion Date shall be entitled to the Company).

#### **(2) Consideration**

The Consideration, being approximately HK\$123.4 million, was determined after arm’s length negotiations between the Company and the Purchaser, with reference to (i) the unaudited combined net asset value of the Target Company Group attributable to the Company as at 30 June 2020 of approximately HK\$123.4 million; (ii) valuation of the market value of the entire equity interests of the Target Company Group as at 30 June 2020 of HK\$119.3 million as appraised by an independent professional valuer based on market approach as set out in the Valuation Report; (iii) the historical financial performance of the Target Company Group; and (iv) the prevailing market conditions as set out under the section headed “Reasons for and benefits of the Disposal” in the “Letter from the Board” contained in the Circular. The Consideration shall be settled in full by cash on the Completion Date.

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## LETTER FROM SOMERLEY CAPITAL

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### *(3) Conditions precedent*

The Completion shall be conditional upon the fulfillment or (as appropriate) waiver of the conditions as set out in the sub-section headed “Conditions precedent” in the “Letter from the Board” contained in the Circular on or before the Long Stop Date, including but not limited to the obtaining of Independent Shareholders’ approval at the SGM by the Company pursuant to the Listing Rules.

Save for condition (d) as set out in the abovementioned sub-section in the Circular which may be waived in writing at the absolute discretion of the Purchaser, none of the conditions can be waived by any party to the Sale and Purchase Agreement. As at the Latest Practicable Date, none of the conditions had been fulfilled or waived (as the case may be) and to the best knowledge and belief of the Directors, no necessary consents or approvals referred to in condition (b) as set out in the abovementioned sub-section have been identified so far.

If any of the conditions is not fulfilled or waived (as the case may be) on the Long Stop Date, the Purchaser has the right to do the following at its discretion:

- (i) waive the condition that has not been fulfilled (except for conditions (a), (b) and (c) set out in the abovementioned sub-section in the Circular which are not waivable);
- (ii) extend the Long Stop Date to the ninetieth (90<sup>th</sup>) Business Day immediately after the Long Stop Date or any other date to be mutually agreed by the parties; or
- (iii) terminate the Sale and Purchase Agreement, where the rights and obligations of the parties to the Sale and Purchase Agreement shall cease and determine save for any antecedent breaches of the terms thereof and the announcement and disclosure restrictions under the Sale and Purchase Agreement.

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## LETTER FROM SOMERLEY CAPITAL

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### ***(4) Completion***

Completion shall take place on the fifth (5th) Business Day after all the conditions as set out in the sub-section headed “Conditions precedent” in the “Letter from the Board” contained in the Circular have been fulfilled or waived (as the case may be) or such other date as the Company and the Purchaser may agree.

### **3. Information of the Target Company Group**

#### ***(i) Principal activities of the Target Company Group***

The Target Company Group consists of eight members, namely (i) Huajin Financial (International) Holdings Limited (Target A); (ii) Huajin International Investment Management Limited (Target B); (iii) WAG Worldsec Corporate Finance Limited (Target C); (iv) Huajin International China Investment Limited (Target D); (v) Huajin International Hong Kong Management Limited (Target E); (vi) Huajin International Investment (Cayman) Limited (Target F); (vii) Huajin International Investment (Cayman) LP Limited (Target G); and (viii) Huajin International (BVI) Limited (Target H).

The Target Company Group is principally engaged in the provision of financial services, including financial advisory, securities underwriting and consultancy, securities and futures brokerage, asset management, equity research and financial consultancy, and money lending in Hong Kong. The Target Company Group, through Target A and its wholly-owned subsidiaries, Target B and Target C, holds the licenses to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and holds a money lender’s license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). Target D, Target E, Target F, Target G and Target H, which are mainly investment vehicles of the asset management business, are inactive companies with no material business activities.

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## LETTER FROM SOMERLEY CAPITAL

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**(ii) Financial information of the Target Company Group**

The following is a summary of the financial results of the Target Company Group extracted from its unaudited combined financial statements for the year ended 31 December 2018; audited combined financial statements for the year ended 31 December 2019; and unaudited combined financial statements for the six months ended 30 June 2020, which were prepared in accordance with the HKFRSs.

	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the six months ended 30 June 2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
Revenue	94,161	58,552	34,898
Loss before taxation	7,323	9,450	5,668
Loss after taxation	5,096	10,159	5,692

In 2018, the Target Company Group recorded revenue of approximately HK\$94 million and loss after taxation of approximately HK\$5 million. The Target Company Group's financial results deteriorated significantly in 2019, with revenue down by approximately 38% to approximately HK\$59 million, and loss after taxation widened to approximately HK\$10 million. In the first half of 2020, the Target Company Group recorded revenue of approximately HK\$35 million and loss after taxation of approximately HK\$5.7 million. As stated in the section headed "Reasons for and benefits of the Disposal" in the "Letter from the Board" contained in the Circular, the weakened results were mainly driven by the intensive competition in the financial services industry and a slowdown in the capital and initial public offering activities amid the social movements in Hong Kong and the COVID-19 epidemic.

According to the unaudited combined financial statements for the six months ended 30 June 2020, the unaudited combined net asset value of the Target Company Group was approximately HK\$123.4 million as at 30 June 2020. Total assets of the Target Company Group as at 30 June 2020 were approximately HK\$317.2 million, which mainly include (i) cash and cash equivalents; (ii) client trust bank balances; and (iii) trade receivables and margin loans receivable. Total liabilities of the Target Company Group as at 30 June 2020 were approximately HK\$193.8 million, which mainly include trade payables and bank borrowings.

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## LETTER FROM SOMERLEY CAPITAL

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#### 4. Valuation of the Target Company Group

The Company engaged an independent professional valuer, Greater China Appraisal Limited (the “**Independent Valuer**”) to prepare the Valuation Report in respect of the fair value of 100% of issued share capital of the Target Company Group. As set out in the Valuation Report contained in Appendix I to the Circular, the appraised value of 100% of issued share capital of the Target Company Group is HK\$119,328,000 as of 30 June 2020. In reviewing the Valuation Report, we have complied with the requirements under Rule 13.80(2)(b) Note 1(d) of the Listing Rules. In particular, we have discussed with the Independent Valuer its expertise and noted that the person signing the Valuation Report, the director of the Independent Valuer, has more than 10 years of experience in business valuation in Hong Kong and the PRC and more than 12 years of experience in the finance industry. We also reviewed the Independent Valuer’s terms of engagement and discussed with the Independent Valuer the work it has performed as regards the valuation.

As set out in the Valuation Report and also based on our discussions with the Independent Valuer, market approach is adopted in deriving the appraised value of 100% of issued share capital of the Target Company Group as of 30 June 2020. We have discussed with the Independent Valuer on their valuation methodologies and understand that there are three generally accepted approaches to appraise the fair value of 100% of issued share capital of the Target Company Group, namely asset approach, income approach and market approach. In this appraisal regarding the fair value of 100% of issued share capital of the Target Company Group, the Independent Valuer adopted the market approach as the Independent Valuer considers this approach reflects the market expectations as the values of equity were derived from the market prices and latest published financial data of the listed companies.

As advised by the Independent Valuer, the comparable companies method is adopted to derive the appraised value of 100% of issued share capital of the Target Company Group as there are sufficient number of listed companies in the market which are comparable to the Target Company Group. As set out in the Valuation Report, comparable companies are selected with reference to various criteria, including, among other things, principal activities, principal place of operation and listing place of the comparable companies. Since the Target Company Group is principally engaged in the provision of financial services in Hong Kong, we consider that valuation based on comparable companies engaged in the provision of financial services principally in Hong Kong, including securities underwriting services and consultancy services, securities and futures brokerage services and equity research etc., provides a reasonable basis to derive the appraised value of the Target Company Group.

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## LETTER FROM SOMERLEY CAPITAL

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Under the market approach, the Independent Valuer adopted price-to-book (“P/B”) multiples for the valuation of the Target Company Group and we are advised by the Independent Valuer that such multiple is adopted because it is the most relevant and most commonly used valuation multiple for companies with similar asset composition as the Target Company Group. As set out in the Valuation Report contained in Appendix I to the Circular, the use of other valuation multiples based on earnings such as price-to-earnings, enterprise value/EBIT<sup>1</sup> and enterprise value/EBITDA<sup>2</sup> multiple is impracticable given the loss-making status of the Target Company Group. Also, the use of valuation multiples based on sales such as the enterprise value/sales and price-to-sales multiples is not preferable since these multiples could not reflect the profitability of the Target Company Group. The appraised value of the Target Company Group is derived from applying the mean of the P/B multiples of the comparable companies (after excluding the extreme multiples at upper and lower sides) as set out in the Valuation Report, to the net asset value of the Target Company Group as at 30 June 2020. We reviewed the calculations of the abovementioned mean of the P/B multiples of the comparable companies and where feasible, we searched public information to verify the figures adopted by the Independent Valuer in the calculation of the mean of the P/B multiples of the comparable companies and noted that the figures used are consistent with those disclosed publicly.

As further set out in the Valuation Report, the Independent Valuer has incorporated a control premium of 9.8% and a discount for lack of marketability of 15.8% in the valuation. As discussed with the Independent Valuer, the control premium of 9.8% represents the average difference between the average premium percentage of controlling interest transactions and the average premium percentage of minority interest transactions from 2015 to 2019 set out in Mergerstat Review, an annual publication that presents compiled statistics relating to mergers and acquisitions that involve both publicly traded and privately held companies published by Business Valuation Resources, a publisher of auditable market data, news and research, and expert opinion. The lack of marketability discount of 15.8% is adopted based on the Independent Valuer’s professional judgement with reference to Stout Restricted Stock Study published by Business Valuation Resources containing recent data in relation to appropriate levels of lack of marketability discount. According to the Independent Valuer, both Mergerstat Review and Stout Restricted Stock Study are widely used and accepted databases of control premium and discount for lack of marketability available to market participants. We further noted from listed companies’ publications on the website of the Stock Exchange that both Mergerstat Review and Stout Restricted Stock Study are common references used in the valuation of private enterprise. Therefore, we concur with the Independent Valuer that it is appropriate to make reference to Mergerstat Review and Stout Restricted Stock Study in determining the control premium and the lack of marketability discount respectively. We have obtained an extract of the above published studies and noted that the control premium and discount for lack of marketability adopted in the valuation approximates the mean and median of the study results.

<sup>1</sup> *Earnings before interests and taxes*

<sup>2</sup> *Earnings before interests, taxes, depreciation, and amortisation*



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## LETTER FROM SOMERLEY CAPITAL

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We have also reviewed and discussed with the Independent Valuer the methodology of, key basis and assumptions adopted for the valuation. General assumptions and considerations made by the Independent Valuer are set out in the Valuation Report contained in Appendix I to the Circular. Having taken into account the above, we concur with the Independent Valuer that the use of market approach based on P/B multiples is commonly used and is the appropriate method for deriving the appraised value of 100% of issued share capital of the Target Company Group.

In assessing the fairness of the Consideration of the Disposal, we consider it is appropriate to refer to the abovementioned valuation of 100% of issued share capital of the Target Company Group. On this basis and taking into account the reasons and benefits of the Disposal as set out in this letter above and the Consideration is slightly higher than the appraised value of 100% of issued share capital of the Target Company Group, we consider the Consideration is fair and reasonable.

### **5. Financial effects on the Group**

Immediately after Completion, the Target Company Group will cease to be subsidiaries of the Company and the financial results of the Target Company Group will no longer be consolidated into the Company's financial statements. As the Target Company Group represents the entire financial services segment of the Company, the Company will cease to operate such segment after the Disposal.

As set out in the section headed "Financial Effects of the Disposal" in the "Letter from the Board" contained in the Circular, it is estimated that the Group will record a loss on the Disposal in the amount of approximately HK\$13.2 million, which is calculated based on the difference between the Consideration; and (i) the unaudited combined net asset value of the Target Company Group attributable to the Company as at 30 June 2020; (ii) the estimated transaction costs in relation to the Disposal of approximately HK\$2.6 million; and (iii) the associated goodwill attributable to the Target Company Group of approximately HK\$10.6 million which was generated from the previous acquisition of the entire equity interest in Target C by the Company in 2016 and arose from the difference between the consideration and the net asset acquired. The actual gain or loss arising from the Disposal will be dependent on the combined net asset value of the Target Company Group attributable to the Company as of the Completion Date, and will be subject to the review and audit by the auditor of the Company and may be different from the expected amount as stated above.

The net proceeds from the Disposal are intended to be used in the following manner: (i) approximately 60% of net proceeds would be allocated for strategic acquisition opportunities relating to Company's core business (i.e. property management), and in the event that the Company cannot identify suitable strategic acquisition opportunities, such net proceeds would be allocated for the repayment of outstanding debt of the Group; (ii)

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## LETTER FROM SOMERLEY CAPITAL

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approximately 20% of net proceeds would be allocated for the repayment of outstanding debt of the Group; and (iii) approximately 20% of net proceeds would be allocated for the general working capital. Further details are set out in the section headed “Financial effects of the Disposal” in the “Letter from the Board” contained in the Circular.

In view of the principal factors considered as set out in this letter, despite the loss on the Disposal as mentioned above, after taking into account that (i) the Group’s financial services business has been continuously underperformed for the past years and the Group has established a profitable Property Management Business as a major source of income; (ii) the uncertainties in the macroeconomic environment and financial market in Hong Kong; (iii) the Consideration is considered to be fair and reasonable as discussed in this letter; and (iv) the proceeds from the Disposal is expected to enhance the cash reserve of the Company, we consider that the Disposal is in the interests of the Company and the Shareholders as a whole.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors, we consider that (i) the Disposal, though not in the ordinary and usual course of business of the Group, is in line with the business strategy of the Group; (ii) the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Disposal is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
for and on behalf of  
**Somerley Capital Limited**  
**Stephanie Chow**  
*Director*

*Ms. Stephanie Chow is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. She has over ten years’ experience in the corporate finance industry.*

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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The Board of Directors of  
HJ Capital (International) Holdings Company Limited  
Room 3605, 36/F  
Cheung Kong Center  
2 Queen's Road Central  
Central, Hong Kong

16 October 2020

To the Directors of HJ Capital (International) Holdings Company Limited

Dear Sir/Madam,

**INVESTMENT VALUE OF 100% EQUITY INTEREST IN FINANCIAL SERVICES COMPANIES OF HJ CAPITAL (INTERNATIONAL) HOLDINGS COMPANY LIMITED**

In accordance with the instructions from HJ Capital (International) Holdings Company Limited (the “**Company**”), we were engaged to perform a valuation analysis in relation to the market value of 100% equity interest (the “**Equity Interest**”) in the financial services companies (the “**Target Companies**”) under the Company and its subsidiaries (collectively referred to as the “**Target Company Group**”) as at 30 June 2020 (the “**Valuation Date**”).

It is our understanding that our analysis will be used by the management of the Company in their determination of the value of the Equity Interest for transaction reference purpose. We are aware that the entire valuation report may be included in the circular of the Company. The valuation was conducted for the above mentioned purpose only and this report shall not be used for any other purpose without our written consent.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the Company's information or other financial data provided by the management. We assume that the financial and other information obtained is accurate and complete, and we have relied upon this information in performing our valuation.

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## **APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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### **I. PURPOSE OF ENGAGEMENT**

It is our understanding that our analysis will be used by the management of the Company solely for transaction reference purpose.

### **II. SCOPE OF SERVICES**

We were engaged in evaluating the Equity Interest of the Target Company Group as at the Valuation Date.

### **III. BASIS OF VALUATION**

We have performed valuation of the Equity Interest on the basis of market value which is defined 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” under the International Valuation Standards.

Our valuation has been prepared in accordance with the International Valuation Standards 2020 Edition published by International Valuation Standards Council. These standards contain guideline on the basis and valuation approaches used in business valuation.

### **IV. PREMISE OF VALUATION**

Premise of valuation relates to the concept of valuing a subject in the manner that would generate the greatest return to the owner of the asset. It takes account of what is physically possible, financially feasible and legally permissible. Premise of valuation includes the following:

1. Going concern: appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;
2. Orderly liquidation: appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;
3. Forced liquidation: appropriate when time or other constraints do not allow an orderly liquidation; and
4. Assembled group of assets: appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation report is prepared on going concern basis.

**V. LEVEL OF VALUE**

Current valuation theories suggest that there are three basic “levels” of value applicable to a business or business interest. The levels of value are respectively:

1. Controlling interest: the value of the controlling interest, always evaluate an enterprise as a whole;
2. As if freely tradable minority interest: the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and
3. Non-marketable minority interest: the value of a minority interest, lacking both control and market liquidity.

This valuation report is prepared on controlling interest basis.

**VI. SOURCES OF INFORMATION**

Our analysis and conclusion was based on our discussions with the management of the Company, as well as reviews of key documents and financial projections, including but not limited to:

1. Audited combined financial statements of the Target Company Group for the year ended 31 December 2019;
2. Consolidated financial statements of the Target Company Group for the six months ended 30 June 2020;
3. Audited financial report of Huajin Finance (International) Limited for the year ended 31 December 2019;
4. Audited financial report of Huajin International Investment Management Limited for the year ended 31 December 2019;
5. Audited financial report of Huajin Financial (International) Holdings Limited for the year ended 31 December 2019;
6. Audited financial report of Huajin Futures (International) Limited for the year ended 31 December 2019;

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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7. Audited financial report of Huajin Research (International) Limited for the year ended 31 December 2019;
8. Audited financial report of Huajin Securities (International) Limited for the year ended 31 December 2019;
9. Audited financial report of WAG Worldsec Corporate Finance Limited for the year ended 31 December 2019; and
10. Group chart of the Target Company Group.

In addition to relying on each of the above documents and records, we also relied upon publicly available information from sources on capital markets, including industry reports, news and various data and presses of publicly traded companies.

## **VII. ECONOMIC OUTLOOK**

In conjunction with the preparation of the valuation, we have reviewed and analysed the current economic condition of Hong Kong where the profits of the Target Company Group are derived, and how the value of the Equity Interest may be impacted.

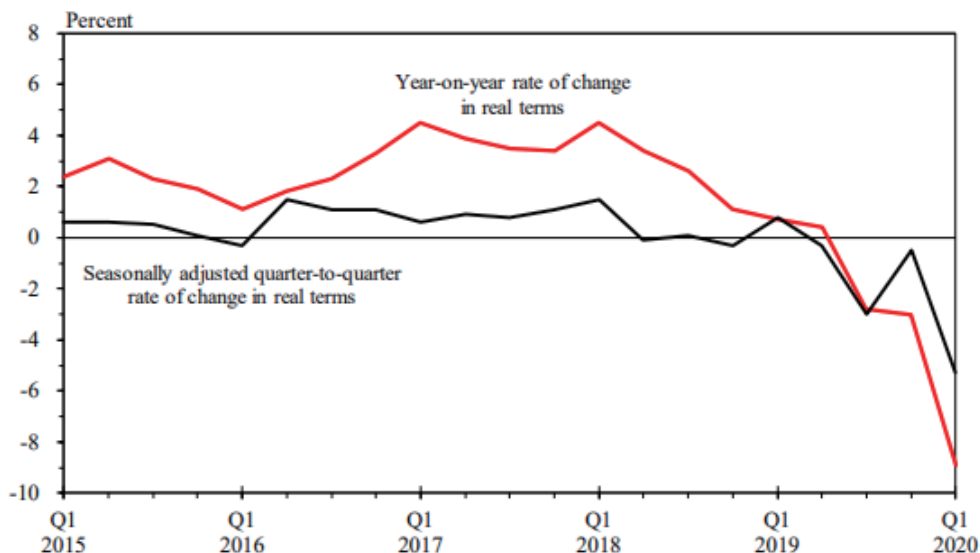
### **1. Overall Situation**

According to the First Quarter Economic Report 2020, Hong Kong's real Gross Domestic Product (GDP) contracted sharply by 8.9% from a year earlier, the steepest for a single quarter on record, even worse than that experienced in the aftermath of the Asian Financial Crisis of 1997-98. Total exports of goods saw a visibly enlarged fall, weighed by the serious disruptions to regional supply chains and related trading activities amid the threat of COVID-19, and later by sharp moderation of economic activities worldwide when the epidemic turned into a pandemic. Exports of services posted the biggest quarterly fall on record, with inbound tourism at a standstill in February and March and cross-boundary transport and commercial services falling distinctly. Domestically, the fall in private consumption expenditure widened sharply, as the threat of the disease and resulting social distancing measures seriously disrupted consumption-related activities, while austere labour market conditions dealt a heavy blow to consumer sentiment. Overall investment expenditure continued to show a sharp contraction amid subdued business sentiment and falling construction activity.

2. Gross Domestic Product

In the first quarter of 2020, GDP contracted by 8.9% in real terms from a year earlier, deteriorating markedly from its 3% decline in the preceding quarter. According to the First Quarter Economic Report 2020, both the year-on-year and quarter-to-quarter rates of decline in real GDP for the first quarter were the steepest on record for a single quarter.

Hong Kong’s real GDP for the period from 2015 to 2020 (%)



Source: First Quarter Economic Report 2020

Taking into account various factors, including: the sharp economic contraction in the first quarter of 2020, the increasingly difficult global economic situation, the high uncertainties caused by the pandemic, and the cushioning effects of the Anti-epidemic Fund rolled out by the Hong Kong Government, the Financial Secretary has revised downwards the overall real GDP growth forecast for 2020 from -4% to -7% in April 2020. The forecast rates of underlying and headline consumer price inflation for 2020 have been revised downwards to 2.2% and 1.4% respectively.

### **3. Domestic Demand**

Domestic demand weakened markedly due to the threat of COVID-19 in the first quarter of 2020. According to the First Quarter Economic Report 2020, the year-on-year fall in private consumption expenditure widened sharply from 2.9% in real terms in the preceding quarter to 10.1%. The threat of COVID-19 and resulting social distancing measures severely disrupted consumption-related activities, while austere labour market conditions heavily weighed on consumer sentiment. Residents' expenditure abroad plunged, as people delayed or cancelled their travel plans in the face of travel restrictions and quarantine measures around the world. In contrast, government consumption expenditure grew notably by 8.3% in the first quarter, after a 6.1% growth in real terms in the preceding quarter.

Overall investment spending in terms of gross domestic fixed capital formation fell significantly by 14.3% in the first quarter from a year earlier, following a decline of 16.8% in real terms in the preceding quarter. Within the total, expenditure on acquisitions of machinery, equipment and intellectual property products showed another large decline of 18%. Expenditure on building and construction continued to fall visibly by 9.1%, with both private and public sector construction activities shrinking further. Meanwhile, the costs of ownership transfer plunged along with the sharp fall in property transactions in both residential and non-residential segments.

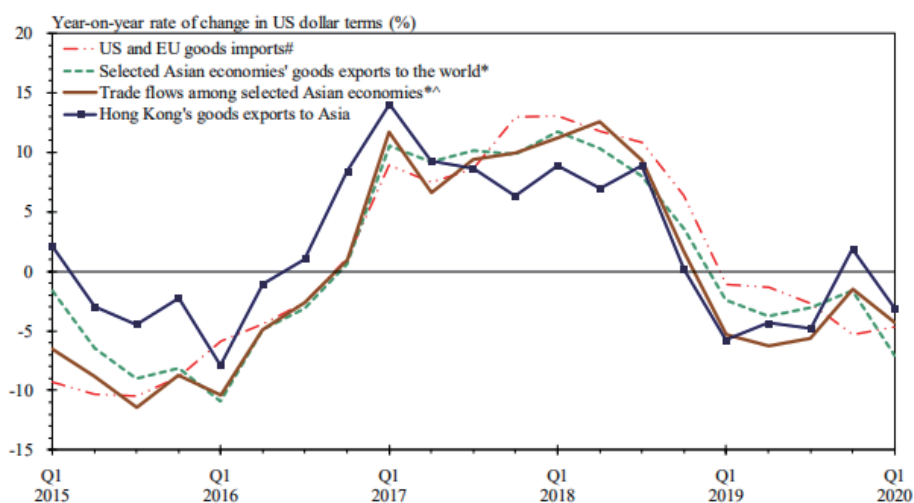
### **4. The external sector**

In the first quarter of 2020, the export of goods in Hong Kong fell by 9.1% in real terms year-on-year, mainly due to the serious disruptions caused by COVID-19 to economic activities in the Mainland, the regional supply chains and related trading activities. Coupled with subsequent evolution of COVID-19 into a pandemic globally, global economic activities experienced sharp slowdown. The exports of goods from Hong Kong to the United States (the "US") and the European Union (the "EU") fell sharply. In the first quarter of 2020, exports of goods to the US and the EU have fallen by 25.9% and 24.4% year-on-year respectively, while that to the Mainland moderately by 2.2%. Hong Kong's export to many other major markets in Asia was on the decrease to varying degrees.



The growth rate of service exports from Hong Kong also plummeted from a year-on-year decrease of 24.2% in the previous quarter to 37.8% in the first quarter of 2020 in real terms, the largest quarterly decrease on record. The export of travel services fell significantly due to extensive travel restrictions and border controls imposed amid the COVID-19 pandemic. Affected by the extremely severe surrounding environment, there was obviously expanding decline in the export of commercial and other services. In February and March 2020, the volume of cross-border passenger traffic actually almost completely went into standstill and the volume of freight transport also became more sluggish, leading to the sharp decline in the export of transportation services. The export of financial services delivered relatively better performance, representing a moderate increase as compared with the same period last year, which was mainly due to the fact that financial market transactions still remained active amid the turbulent situation.

**Trade flows between Hong Kong and other specific economies in Asia from 2015 to 2020**



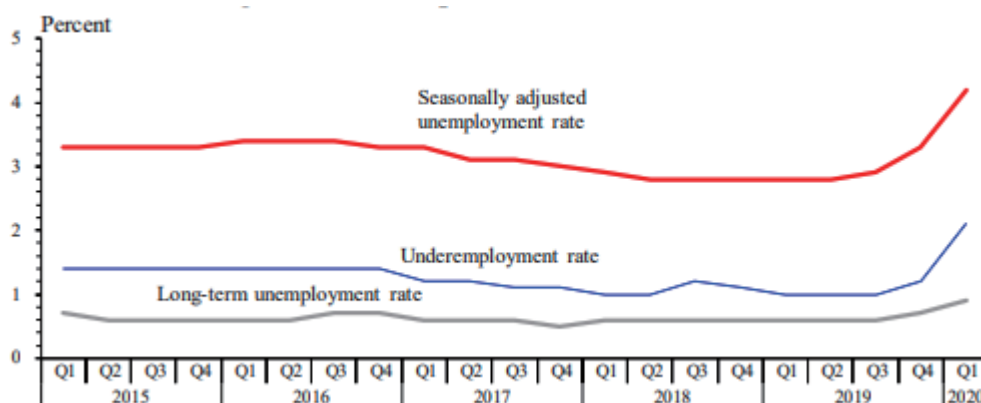
Source: First Quarter Economic Report 2020

**5. The Labor Sector**

In the first quarter of 2020, the labor force in Hong Kong fell by 2.2% from a year earlier to 388,000. In particular, the labor force participation rate declined from 60.7% in the first quarter of 2019 to 59.5% in the first quarter of 2020, the lowest level on record, partly due to population ageing and partly reflecting the people’s response to the sharp deterioration in economic conditions.

The COVID-19 pandemic intensified the economic recession in Hong Kong and the labor sector further deteriorated in the first quarter of 2020. The seasonally adjusted unemployment rate rose to 4.2%, exceeding the highest level recorded for more than the recent 9 years, while the underemployment rate also increased significantly to 2.1%, the highest level recorded for recent ten years.

**Hong Kong’s unemployment rate and long-term unemployment rate from 2015 to 2020**



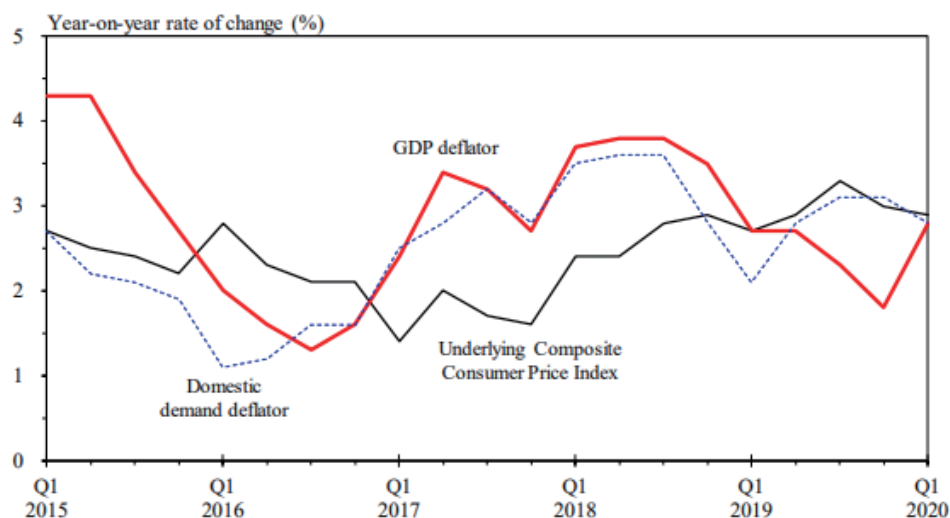
Source: First Quarter Economic Report 2020

**6. The Inflation Rate**

Consumer price inflation remained moderate in the first quarter of 2020. Netting out the effects of the Government’s one-off relief measures, underlying consumer price inflation edged down from 3.0% in the preceding quarter to 2.9% in the first quarter of 2020. The headline composite consumer price inflation went down from 3.0% to 2.0%.

The year-on-year growth in the GDP deflator rose from 1.8% in the preceding quarter to 2.8% in the first quarter of 2020. The terms of trade continued to deteriorate from a year earlier, though to a lesser extent as compared to the preceding quarter. Taking out the external trade components, the domestic demand deflator rose by 2.8% in the first quarter of 2020, slightly slower than the 3.1% increase in the preceding quarter.

**Hong Kong’s underlying composite consumer price inflation and domestic demand deflator from 2015 to 2020**



Source: First Quarter Economic Report 2020

Under the threat of COVID-19, global inflationary pressure may remain moderate in 2020 due to the expected slower growth of global economy. The International Monetary Fund predicted in January 2020 that the inflation rate of developed economies will fall from 1.7% in 2019 to -6.1% in April 2020, while that of emerging market economies will remain a slight increase.

## **7. The Medium-term Outlook for Hong Kong's Economy**

The rapid spread of COVID-19 had a heavy blow on Hong Kong's economic activities and public sentiments. The impact of the prevalence of the pandemic on the economy may be greater than that of the outbreak of Severe Acute Respiratory Syndrome in 2003 and the labor market is therefore under tremendous pressure. According to the budget speech made by the Financial Secretary, public confidence in the fundamentals of Hong Kong's economy remained solid and the confidence in Hong Kong's core competitiveness will not be shaken. It is expected that Hong Kong's economy will be able to recover once the pandemic ends.

Hong Kong's economy is confronted with huge challenges in 2020. In the short term, the outlook is not optimistic. Taking into account the stimulus effect of the relief measures, the Government predicts that the real GDP growth in 2020 will range from -1.5% to 0.5%. In the medium term, Hong Kong's economic outlook remains optimistic. The development of our country and Asia is expected to continually become the main driver of global growth. In view of the huge market potential in the Mainland, as well as the opportunities brought about by the "Belt and Road" initiative and the development of the Guangdong-Hong Kong-Macao Greater Bay Area, Hong Kong may continue to use its own advantages to explore greater development in the future.

Based on the above factors, the Hong Kong government predicts that the real average annual growth in the Hong Kong economy between 2021 and 2024 will be approximately 2.8%, slightly lower than the trend of 2.9% in the past ten years, and the potential inflation rate is expected to be approximately 2.5% on average.

## **VIII. INDUSTRY OVERVIEW**

The Target Company Group is mainly engaged in financial services business in Hong Kong, and its business is closely related to the financial markets in Hong Kong. The following industry overview will give a description of the recent developments in the two major markets in Hong Kong.

### **1. Securities Industry**

Hong Kong has one of the most active and liquid securities markets in the world mainly because there is neither control over capital movements nor capital gains tax or dividend income tax in Hong Kong. As at the end of 2019, Hong Kong's stock market was the third largest in Asia and fifth largest in the world in terms of market capitalization. There were 2,449 companies listed on Hong Kong Exchanges and Clearing Limited ("HKEx") as at the end of 2019, with a total market capitalization of more than US\$4.9 trillion. Besides, Hong Kong is also one of the world's most active markets for initial public offerings ("IPO"), and according to statistic, Hong Kong completed 183 IPOs in 2019, raising a total of HK\$312.9 billion, up from that of 2018.

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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Trading services of the securities industry in Hong Kong are provided by investment banks, commercial banks, finance companies and securities brokerage companies. Investment banks are the principal underwriters for IPO. Hong Kong's highly liberal and liquid securities market has attracted many international investment banks and securities houses to build their presence here, eyeing the IPO and securities businesses. In the secondary market, local retail customers are served mainly by local brokers and banks, whereas institutional buyers are principally served by the international brokers and investment banks.

**Number of SFC RA1 (Dealing in Securities) Holders in Hong Kong from 2015 to 2019**

<b>Year</b>	<b>Number of Licensed Corporations with SFC RA1</b>	<b>Number of Registered Institutions with SFC RA1</b>	<b>Number of Licensed Representatives with SFC RA1</b>
2015	1,024	118	25,765
2016	1,129	121	25,866
2017	1,247	119	26,309
2018	1,350	117	27,008
2019	1,430	114	27,225

*Source: Securities and Futures Commission*

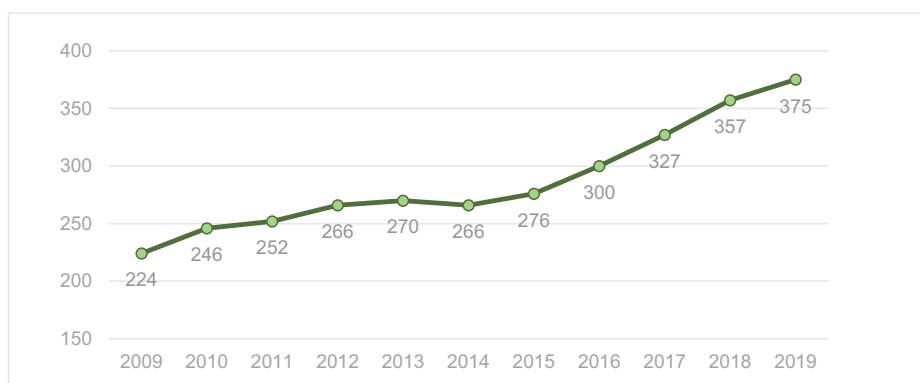
Investors in Hong Kong securities market are well-diversified. As per Cash Market Transaction Survey 2018 announced by the HKEx in 2019, overseas investors accounted for 41% of total market turnover value while local investors contributed 30%. Institutional and retail investors took up 55% and 16% of the market turnover value respectively.

According to the Securities and Futures Commission, the trading on the stock market in Hong Kong decreased by 19% in 2019 as compared to 2018, with an average daily turnover of HK\$87.2 billion. H shares, red chips and shares of other HKEx listed private companies in Chinese mainland are the most actively traded stocks on the stock markets in Hong Kong. In 2019, those shares accounted for 58% of the total market turnover.

**2. Futures Market**

The futures markets provide partial income risk insurance to producers whose output is risky, but very effective insurance to commodity stockholders at remarkably low cost. In most commodity markets, speculators absorb some of the risks in the speculation and conduct hedging activities. As an important part of the capital markets, the futures market in Hong Kong also developed quickly in the past few years and the trading volume is keeping growing. In May 2015, the Securities and Futures Commission (the “SFC”) approved the HKEx’s introduction of stock index futures contracts for seven sectors including software, mainland banks and properties, and thereafter approved the HKEx’s metal mini futures contracts on nickel and tin, which commenced trading in December 2015. This initiative enriches the commodity product mix in Hong Kong and facilitates trading and hedging activities in the Asian time zone. The effect of such measure can be reflected in the growth rate for the number of SFC Type 2 regulated activities (dealing in futures contracts) holders (licenced corporations) in Hong Kong.

**Number of SFC Type 2 regulated activities (dealing in futures contracts) holders (licenced corporations) in Hong Kong from 2009 to 2019**



Source: Securities and Futures Commission

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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According to the statistics by the SFC, in 2019, the trading volume in futures products dropped by 10.2%, among which HSI futures and HSCEI futures were the most actively traded contracts, accounting for about 44.3% and 29.5% of all futures trading respectively. The trading volume of HSI futures dropped by 11.0%, and that of HSCEI futures fell by 8.8%, as compared with 2018.

**Average daily trading volume of future contracts traded on HKEx by Product Type**

	<b>2017</b>	<b>2018</b>	<b>2019</b>
HSI Futures	127,478	234,424	208,069
Mini-HSI Futures	46,507	100,262	90,124
HSCEI Futures	116,812	152,241	138,826
Mini-HSCEI Futures	14,823	22,568	14,985
Stock Futures	492	3,508	3,719
Other futures products	5,873	10,766	14,292
Total Futures	311,985	523,769	470,565

*Source: "Research report No. 66: A Review of the Global and Local Securities Markets in 2019", jointly studied by the HKEx and the SFC*

Looking to the future, investors will become more cautious due to different risks and various uncertain factors to the Hong Kong stock market. Affected by the COVID-19, there is certain market concern about the further spread of COVID-19, which will undoubtedly affect the earning of retailers and local economic prospect. In addition, the trade tension between US and China will continue to be a major risk factor to Hong Kong and other overseas markets. In the future, the progress of relevant trade negotiations will inevitably affect investor sentiments and confidence in the stock market. At the same time, following the downward adjustment to global economic growth in 2020 by the International Monetary Fund, the slowdown in global economic growth has also become a concern for many investors. In the circumstance featured by these on-going uncertainties and deteriorating local economy, market volatility may become more intense.

**IX. COMPANY OVERVIEW****HJ Capital (International) Holdings Company Limited**

The Company is a limited liability company incorporated in Bermuda. It is an investment holding company and its subsidiaries are principally engaged in the provision of property management service, hotel operation, hotel management, hotel advisory and exhibition services, financial services, financial printing services and related investment holding, both in Mainland China and Hong Kong. The Company has its listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with the stock code of 982.

In this valuation, the Target Company Group are companies under the Company engaged in the financial services industry, including:

**Huajin International Investment Management Limited**

Huajin International Investment Management Limited is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. Huajin International Investment Management Limited is licensed for Type 9 (asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**Huajin Financial (International) Holdings Limited**

Huajin Financial (International) Holdings Limited (the “Huajin Financial”) is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. Huajin Financial is an investment holding company.

**Huajin Securities (International) Limited**

Huajin Securities (International) Limited is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Huajin Financial. It is licensed for Type 1 (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**Huajin Research (International) Limited**

Huajin Research (International) Limited is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Huajin Financial. It is licensed for Type 4 (advising on securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).



**Huajin Finance (International) Limited**

Huajin Finance (International) Limited is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Huajin Financial. It holds a Money Lender's Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

**Huajin Futures (International) Limited**

Huajin Futures (International) Limited is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of Huajin Financial. It is licensed for Type 2 (dealing in futures contracts) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**WAG Worldsec Corporate Finance Limited**

WAG Worldsec Corporate Finance Limited is a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company. It is licensed for Type 4 (advising on securities) and Type 6 (advising on corporate finance) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed above, the Target Company Group also include the following companies with no actual operating activities:

- Huajin International China Investment Limited
- Huajin International Hong Kong Management Limited
- Huajin International Investment (Cayman) Limited
- Huajin International Investment (Cayman) LP Limited
- Huajin International (BVI) Limited

**X. VALUATION METHODOLOGY**

The valuation of any asset or business can be broadly classified into one of the three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches above must be considered, and the approach or approaches deemed most appropriate will then be selected for use in the market value analysis of that asset.

**1. Asset Approach**

This is a general way of determining a market value indication of a business, business ownership interest, security or intangible asset by using one or more methods based on the value of the assets net of liabilities. Value is determined based on the cost of reproducing or replacing the asset, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

**2. Income Approach**

This is a general way of determining a market value indication of a business, business ownership interest, security or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the Valuation Date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

**3. Market Approach**

This is a general way of determining a market value indication of a business, business ownership interest, security or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

#### **4. Selection of Valuation Approach**

##### ***4.1 Asset approach – Rejected***

Under the asset approach, the value of the Equity Interest is determined based on the replacement cost or reproduction cost rather than the ability to generate streams of benefits in the future. For the Target Company Group, future economic benefits will be generated from the Target Company Group's operation of its financial services business. As such, the asset approach cannot reliably reflect the value of the Equity Interest. Accordingly, the asset approach was rejected.

##### ***4.2 Income approach – Rejected***

Under the income approach, the value of the Equity Interest is determined based on the estimation of the projected inputs, such as projected revenue, operating costs and risk-adjusted discount rate. A major challenge to income approach is its sensitivity to model inputs, as slight deviation in discount rate and forecasted operating cash flows would result in significantly different valuation results. We consider that, in this valuation, the Target Company Group recorded losses during the past two years, indicating that its future financial performance remains uncertain. In respect of the correlation between the above factors and performance of the industry, high level of uncertainty would be involved inevitably in forming a financial forecast, i.e. income forecast, income growth rate, profit margin. As such, we are in opinion that income approach is not preferable and was rejected.

##### ***4.3 Market approach – Accepted***

Under the market approach, the value of the Equity Interest could be determined based on the recently published financial data of comparable listed companies such as the trading prices and fundamentals. Market expectation on the industry is also reflected in the valuation of the comparable companies. As there were sufficient number of comparable public companies available in markets which facilitate a meaningful comparison and provide inputs for determining the valuation multiple, the market method was considered as appropriate and reliable.

**XI. GENERAL VALUATION ASSUMPTIONS**

A number of general assumptions have to be established in order to sufficiently support our conclusion of valuation. The general assumptions adopted in this valuation were as follows:

1. There would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in Hong Kong where the Target Company Group is carrying on its businesses;
2. There would be no significant deviation in the industry trends and market conditions from the current market expectation;
3. There would be no material change in the current taxation law in Hong Kong where the Target Company Group and the comparable companies operate;
4. There would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;
5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained by the Target Company Group, the Target Company Group is in good standing and no additional costs or fees are needed to procure such during the application; and
6. The Target Company Group would retain competent management, key personnel and technical staff to support the ongoing business operations.

**XII. MARKET APPROACH****Guideline Public Company Method**

We adopted the Guideline Public Company Method, one of the market approaches in this valuation. The premise behind the Guideline Public Company Method is that prices of publicly traded stocks in the same or a similar industry provide objective evidence as to values at which investors are willing to buy and sell interest of companies in that industry.

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## APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP

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In applying the Guideline Public Company Method, we compute various pricing multiple for each Guideline Public Company. The appropriate valuation multiple is determined and adjusted for the unique aspects of the Target Company Group being valued. This multiple is then applied to the Target Company Group being valued to arrive at an estimate of value for the appropriate ownership interest. The selected valuation multiple is based on market capitalisation.

Equity value can be derived from the formula below:

Equity value = Guideline multiple x the financial performance or position of the Target Company Group

A valuation multiple represents a ratio that uses a Guideline Public Company's market value at the Valuation Date as the numerator and a measure of the Guideline Public Company's operating results (or financial position) as the denominator. In this valuation, we have considered price-to-book ("P/B"), price-to-earnings ("P/E"), price-to-sales ("P/S"), enterprise value/sales ("EV/S"), enterprise value/earnings before interests and taxes ("EV/EBIT"), and enterprise value/earnings before interests, taxes, depreciation and amortization ("EV/EBITDA") multiples.

The Target Company Group is loss making in recent years, the net income, EBIT and EBITDA of the Target Company Group are negative which make the use of P/E, EV/EBIT and EV/EBITDA multiples impracticable. On the other hand, we considered that P/S and EV/S multiples could not reflect the profitability of the Target Company Group and thus these multiples are not preferable in this valuation. As a result, we have adopted P/B as the valuation multiple in this valuation, which is commonly adopted to value those companies which are engaged in financial service business. The P/B is an appropriate valuation multiple for capital-intensive businesses or financial businesses with significant amount of assets on the books, given the fact that the net book value ("NBV") refers to the sum of a company's assets minus its liabilities and non-controlling interest.

For this valuation, since most of the assets of the Target Company Group are cash and cash equivalents and accounts receivables (which represents around 90% of total net assets as at the Valuation Date) which are the core assets of its financial services business, we consider that the NBV provides a meaningful measure for the valuation of the Equity Interest. Once we have selected a number of the Guideline Public Companies and make the necessary adjustments to their financial information, the next step is to determine and compute the appropriate valuation multiples, and the calculation method is the same for all the selected Guideline Public Companies. The process of computing the valuation multiple in this case consists of the following procedures:

1. Determination of the market capitalisation for each of the Guideline Public Companies as at the Valuation Date. The market capitalisation is computed by multiplying their share prices to the number of outstanding shares as at the Valuation Date
2. Determination of the measure of financial position i.e. NBV as at Valuation Date, which represents the denominators of the multiple

The application of this method depends on the selection of the Guideline Public Companies that with sufficient similarities to the underlying business of the Target Company Group so as to provide a meaningful comparison. We exercised due care in the selection of the Guideline Public Companies by using reasonable criteria in deciding whether or not a particular Guideline Public Company is relevant.

#### **Selection of Guideline Public Companies**

In selecting the Guideline Public Companies, we considered the lines of business, products, market location of the business and other criteria of the Target Company Group. In particular, the specific attributes of the Guideline Public Companies we have considered were summarised as follows:

- Listed on the The Stock Exchange of Hong Kong Limited (the “Stock Exchange”);
- Principal business operation are securities underwriting and consultancy, securities and futures brokerage and equity research and other financial services;
- Holders of one or more licenses granted by the SFC including Type 1 license, Type 2 license, Type 4 license, Type 6 license or Type 9 license; and
- Principal business location is Hong Kong.

Our preliminary list of Guideline Public Companies is generated from searching through Bloomberg and websites of public companies. The major searching criteria are listed below:

- Listed on the HKEx; and
- Significant revenue contribution from financial services in Hong Kong, namely Type 1, Type 2, Type 4, Type 6 or Type 9 regulated activities under the SFO.

Then, we have investigated the principal of businesses, business location and asset location of each company from segment information generated by Bloomberg, official website and the most recent annual report and interim report of comparable companies to ensure that the selected Guideline Public Companies have contained all the above mentioned attributes.

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## APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP

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The following are the preliminary list of the Guideline Public Companies that we have reviewed containing all the above mentioned attributes, and the comparison with the Target Company Group in their business description and type of license held:

### Preliminary list of the Guideline Public Companies based on market approach

	Comparable Listed Company	Stock Ticker	Business Description	Type of License Held
1	Get Nice Holdings Limited	64HK	<ul style="list-style-type: none"> <li>• Provides financial, property development, personal and property financing, investing and real estate brokerage services through its subsidiaries</li> </ul>	1, 2, 4, 5, 6, 9
2	Central Wealth Group Holdings Limited	139HK	<ul style="list-style-type: none"> <li>• Provides securities brokerage and futures trading, asset management and money lending services to individual and institutional clients and focuses on the luxury property investment</li> </ul>	1, 2, 4, 5, 9
3	Sunwah Kingsway Capital Holdings Ltd	188HK	<ul style="list-style-type: none"> <li>• Engages in securities and stock investment and provides futures brokerage, financial advisory services, asset and fund management, and other security-related financial services through its subsidiaries</li> </ul>	1, 2, 4, 6, 9
4	Styland Holdings Ltd.	211HK	<ul style="list-style-type: none"> <li>• Engages in general import &amp; export trading business and provides securities trading and brokerage services and financing services through its subsidiaries</li> </ul>	1, 2, 4, 6, 9
5	Shenwan Hongyuan HK Ltd.	218HK	<ul style="list-style-type: none"> <li>• Engages in loan financing, securities, futures and stock options trading, brokerage and underwriting, and provides corporate financial advisory services through its subsidiaries</li> </ul>	1, 2, 4, 5, 6, 9
6	China Fortune Financial Group Limited	290HK	<ul style="list-style-type: none"> <li>• Provides brokerage services in relation to securities, futures and insurance, margin financing, wealth management, migration advisory, corporate finance advisory and financial communications services</li> </ul>	1, 4, 6, 9

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**


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	<b>Comparable Listed Company</b>	<b>Stock Ticker</b>	<b>Business Description</b>	<b>Type of License Held</b>
7	Cash Financial Services Group Ltd.	510HK	<ul style="list-style-type: none"> <li>Provides a comprehensive range of financial products and quality services comprising mobile and premium trading, investment banking and corporate finance advisory, wealth and asset management, finance technology platform, etc.</li> </ul>	1, 2, 4, 6, 9
8	Oshidori International Holdings Limited	622HK	<ul style="list-style-type: none"> <li>Provides financial services. The company provides securities brokerage, investment advisory, corporate finance advisory, loan, asset management, proprietary trading and other services</li> </ul>	1, 2, 4, 6, 9
9	Emperor Capital Group Limited	717HK	<ul style="list-style-type: none"> <li>Provides a wide range of financial services, including brokerage services in relation to securities, futures and options</li> </ul>	1, 2, 3, 4, 5, 6, 9
10	Pinestone Capital Limited	804HK	<ul style="list-style-type: none"> <li>Provides securities brokerage, securities-backed lending, placing and underwriting services</li> </ul>	1
11	Value Partners Group Limited	806HK	<ul style="list-style-type: none"> <li>an asset management group with a value-oriented investment approach</li> </ul>	1, 2, 4, 5, 9
12	Southwest Securities International Securities Limited	812HK	<ul style="list-style-type: none"> <li>Provides a wide range of financial services and specializes in broking business for futures dealings</li> <li>Provides securities brokerage, corporate finance, margin trading, individual loan facilities services, and sells mutual fund and provides individual financial plan services</li> </ul>	1, 2, 4, 6, 9
13	Value Convergence Holdings Limited	821HK	<ul style="list-style-type: none"> <li>Provides securities brokerage, commodities trading and corporate financing services</li> </ul>	1, 2, 4, 5, 6, 9
14	China Tonghai International Financial Limited	952HK	<ul style="list-style-type: none"> <li>Provides securities brokerage, corporate financing, asset management, wealth management and other services</li> </ul>	1, 2, 4, 6, 9



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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**


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	<b>Comparable Listed Company</b>	<b>Stock Ticker</b>	<b>Business Description</b>	<b>Type of License Held</b>
15	Huarong International Financial Holdings Limited	993HK	<ul style="list-style-type: none"> <li>Engages in the business of bullion, futures and securities broking and trading and provides margin financing services and property investment</li> </ul>	1, 2, 4, 6, 9
16	Kingston Financial Group Ltd.	1031HK	<ul style="list-style-type: none"> <li>Engages in entertainment and financial service business</li> </ul>	1, 2, 6, 9
17	CMBC Capital Holdings Limited	1141HK	<ul style="list-style-type: none"> <li>Invests in various business sectors</li> </ul>	1, 2, 4, 6, 9
18	Bright Smart Securities and Commodities Group Ltd.	1428HK	<ul style="list-style-type: none"> <li>A brokerage firm</li> <li>Trades futures contracts at the stock exchanges in America and Singapore</li> </ul>	1, 3, 4, 7, 9
19	Guotai Junan International Holdings Ltd.	1788HK	<ul style="list-style-type: none"> <li>Provides securities and futures trading and broking services for different financial markets, corporate financing and capital market services, asset and fund management services and financing services, such as margin financing and other types of financing</li> </ul>	1, 2, 3, 4, 5, 6, 9
20	Innovax Holdings Limited	2680HK	<ul style="list-style-type: none"> <li>Provides financial and securities services. The company provides corporate finance advisory, placing and underwriting, securities dealing and brokerage, asset management and other services</li> </ul>	1, 2, 4, 6, 9
21	LFG Investment Holdings Limited	3938HK	<ul style="list-style-type: none"> <li>Provides corporate finance advisory, underwriting, securities dealing, brokerage, securities financing and other relevant services</li> </ul>	1, 4, 6, 9
22	Amasse Capital Holdings Limited	8168HK	<ul style="list-style-type: none"> <li>Provides investment services</li> </ul>	1, 4, 6, 9

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**


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	Comparable Listed Company	Stock Ticker	Business Description	Type of License Held
23	Astrum Financial Holdings Limited	8333HK	• Provides asset management, online brokerage and futures trading services through its subsidiaries	1, 2, 6, 9
24	Vinco Financial Group Limited	8340HK	• Specializes in initial public offerings, mergers and acquisitions, corporate reorganization, organizes loan syndicate and issues convertible bonds	1, 6
25	Excalibur Global Financial Holdings Limited	8350HK	• Provides forex, gold, energy and securities futures trading services	1, 2, 4, 5
26	VBG International Holdings Limited	8365HK	• Provides financial services. The company mainly provides corporate finance advisory, business advisory and underwriting services	1, 4, 6, 9
27	Victory Securities (Holdings) Company Limited	8540HK	• Provides securities trading, margin financing and wealth management services through its subsidiaries	1, 2, 4, 9
	<b>Target Company Group</b>		• Provides financial and related services in Hong Kong	1, 2, 4, 6, 9

*Source: Bloomberg, website of SFC and information from the management of Target Company Group*

As all the foregoing public companies engage in financial services in Hong Kong, which are the Type 1, 2, 4, 6 or 9 regulated activities under the SFO, those companies have the same business coverage as the Target Company Group. Therefore, we believe that the foregoing public companies are sufficiently comparable to the operations of the Target Company Group and conform to the conditions of being a Guideline Public Company and therefore a meaningful comparison can be made. These companies were selected as Guideline Public Companies.

The valuation multiples of the Guideline Public Companies have not been adjusted to account for the differences in size and other factors. According to our analysis, the correlation between price-to-book and book value of the adopted comparable companies is not statistically significant. Since not all the comparable companies have disclosed their detailed revenue segments to the public and the Target Company Group is a comprehensive financial institution providing various types of financial services, there is no adjustment on market multiple based on specific business nature.

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## APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP

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We calculated the P/B ratio of each of the Guideline Public Companies. When computing the P/B for the Guideline Public Companies, we noticed that part of the results have outliers, which would affect the average result eventually. As such, the 10% of extreme values at both ends have been excluded in the calculation of valuation multiple. After excluding the extreme multiples at upper and lower sides, the range of multiples is narrowed as a result and the effects from size or other factors, if any, are limited. Hence, no adjustment of market multiple on size and other factors is adopted.

The following is a list of Guideline Public Companies excluding the extreme values at both ends and their valuation multiples:

### Valuation multiples for the Guideline Public Companies as at the Valuation Date

		Net Book Value (in HKD millions)	Market value (in HKD millions)	P/B ratio
	Stock Ticker			
1	Sunwah Kingsway Capital Holdings Ltd	1,031	321	0.3110x
2	Shenwan Hongyuan HK Ltd.	3,917	1,374	0.3508x
3	China Fortune Financial Group Limited	324	522	1.6127x
4	Oshidori International Holdings Limited	6,169	5,869	0.9514x
5	Value Partners Group Limited	4,389	7,290	1.6609x
6	Southwest Securities International Securities Limited	422	740	1.7522x
7	Value Convergence Holdings Limited	786	289	0.3681x
8	China Tonghai International Financial Limited	5,784	1,797	0.3107x
9	Kingston Financial Group Ltd.	21,698	9,394	0.4329x
10	Bright Smart Securities and Commodities Group Ltd.	1,902	2,580	1.3562x
11	Guotai Junan International Holdings Ltd.	11,296	9,711	0.8597x
12	Innovax Holdings Limited	229	156	0.6821x
13	LFG Investment Holdings Limited	175	317	1.8132x
14	Amasse Capital Holdings Limited	42	70	1.6839x
15	Astrum Financial Holdings Limited	184	100	0.5448x
16	Vinco Financial Group Limited	28	24	0.8552x
17	Excalibur Global Financial Holdings Limited	53	108	2.0225x
18	VBG International Holdings Limited	76	101	1.3225x
19	Victory Securities (Holdings) Company Limited	205	250	1.2175x

Source: Bloomberg

\* Products of the figures and sum of the figures may not equal to the total of the figures due to rounding

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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The multiple after adjustments is as follows:

**Summary of the Selected Multiple**

<b>Valuation Date</b>	<b>Selected Multiple</b>	<b>Average</b>
30 June 2020	P/B ratio	1.0456x

**Determination of Value**

Based on the investigation and analysis stated above and on the valuation method employed, it is our opinion that the market value of the Equity Interest as at the Valuation Date is as follows:

**Results under the market approach**

<b>Multiple selected</b>		<i>P/B ratio</i>
Selected Multiple (rounded)		1.0456x
Financial Performance of the Target Company Group:		
Net Book Value as at the Valuation Date	HKD	<u>123,394,484</u>
Implied Equity Value before Control Premium	HKD	129,021,046
Add: Control Premium ( <i>Note 1</i> )	9.8%	<u>12,698,405</u>
Implied Equity Value before Discount for Lack of Marketability (“ <b>DLOM</b> ”)		141,719,450
Less: DLOM ( <i>Note 2</i> )	-15.8%	<u>(22,391,673)</u>
Implied 100% Equity Value after DLOM	HKD	119,327,777
Value of Equity Interest in the Target Company Group (rounded)	HKD	<u><u>119,328,000</u></u>

\* *Products of the figures and sum of the figures may not equal to the total of the figures due to rounding*

*Note 1: Please refer to Section XIII. Control Premium for detailed discussion*

*Note 2: Please refer to Section XIV. Discount for Lack of Marketability for detailed discussion*

**XIII. CONTROL PREMIUM**

The corporate value of comparable listed companies used in the market approach is the transaction price in the publicly traded stock market where generally only a minority of shares (i.e. minority interests) can be acquired. There is a difference between the minority interests and the controlling interests. That is, the controlling shareholder has the control power over a subsidiary, but the minority shareholders do not have such control power. This control includes:

- being able to appoint or change the management of a company;
- being able to appoint or change board members;
- being able to determine the salary, bonus and allowance of management personnel; and
- being able to develop a company's business strategy and strategic policy and change the company's business direction.

Based on the above difference, the value of minority interests is lower than that of controlling interests, and the difference is reflected in minority interest discount. Therefore, when using the market approach to calculate the value of the Target Company Group's equity in the case of holding control, we would apply control premium to reflect control advantage over the peer minorities. We use the following formula to calculate the control premium:

$$\text{Control premium} = \frac{(1 + \text{average premium percentage of controlling interest transactions})}{(1 + \text{average premium percentage of minority interest transactions})}$$

We refer to the average premium percentage of controlling interest transactions and the average premium percentage of minority interest transactions published in the Mergerstat Review from 2015 to 2019 for further calculations. Mergerstat Review, by FactSet MergerStat, is an annual publication that presents compiled statistics relating to mergers and acquisitions ("M&A") that involve both publicly traded and privately held companies. Data on M&A announcements and purchase prices are presented annually and quarterly, for the current period and historically, including details on individual deals and trends in prices, methods of payment, multiples, and premiums. Publisher of the Mergerstat Review is Business Valuation Resources, LLC. They publish auditable market data, news and research, and expert opinion.

Mergerstat Review represent a widely used and accepted database of control premium available to market participants.

We have conducted further calculation with reference to the average premium percentage of controlling interest transactions and the average premium percentage of minority interest transactions from 2015 to 2019 as set out in Mergerstat Review. After calculation with the above formula, the average difference between the average premium percentage of controlling interest transactions and the average premium percentage of minority interest transactions from 2015 to 2019 is approximately 9.8%. We have adopted 9.8% control premium in the valuation of the Equity Interest.

**XIV. DISCOUNT FOR LACK OF MARKETABILITY**

The discount for lack of marketability is a downward adjustment of part of the value of equity to reflect its lack of marketability. Marketability is defined as the ability to convert an investment into cash quickly at a known price and with minimum transaction costs. In respect of two identical equities, investors will pay a higher price to purchase the equity that will be exchanged for cash sooner at no risk of value loss, such as listed stocks. In another case, investors will pay a lower price to purchase the equity that takes a longer time or has a greater cost to be realized, such as the stock of a private company. For investors, there is uncertainty about the time required for the realization of the latter and the final realization price (that is, lack of marketability). Therefore, when investors purchase such equity, they require a discount to compensate for the above uncertainty. This discount is a discount for lack of marketability.

The Target Company Group is a private company, and the corporate value of comparable listed companies used in the market approach is the transaction price in the publicly traded stock market. In the privately traded market, the transaction of private companies generally takes a longer time and has a greater cost, private companies therefore lack marketability as compared with listed companies, resulting in their value will be discounted. Therefore, the discount for lack of marketability should be considered when using the market approach.

Based on the above, the discount for lack of marketability is used in calculating the equity value of the Target Company Group. When calculating the discount for lack of marketability, we refer to the Stout Restricted Stock Study (the “Study”) compiled by Business Valuation Resources, a publisher of auditable market data, news and research, and expert opinion. The Study represents a widely used and accepted database of DLOM available to market participants. We have conducted a search in the website of the HKEx and noticed the data presented in the Study was commonly adopted in valuation of private enterprises such as the Target Company Group. The Study researched a total of 759 private placement transactions involving unregistered ordinary shares of listed companies from 1980 to 2019, and calculated the marketability discount percentage by dividing the difference between the private placement price and the market reference price by the market reference price. The average and median of the marketability discount percentages obtained from the research are 20.6% and 15.8%, respectively. Considering that the Target Company Group’s cash accounts for 74% of its total assets and other assets are mainly current assets, the Target Company Group’s overall liquidity ability is good. Therefore, this valuation refers to the lower of average and median of marketability discount percentages in the Study, i.e. 15.8%, the median in the Study, to reflect the Target Company Group’s discount for lack of marketability.

**XV. LIMITING TERMS**

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Company Group.

The opinions expressed in this report have been based on the information supplied to us by the Company and its staff, as well as from various institutes and government bureaus. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

**XVI. CONCLUSION OF VALUE**

In conclusion, based on the analysis stated above and on the valuation method employed, it is our opinion that the market value of 100% Equity Interest in financial services companies under HJ Capital (International) Holdings Company Limited as at 30 June 2020 is as follows:

	<b>Market Value</b> <i>(HKD)</i>
100% Equity Interest in financial services companies under HJ Capital (International) Holdings Company Limited	<u>119,328,000</u>

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service terms.

**GREATER CHINA APPRAISAL LIMITED**

**Victor Siu**

*Director*

CFA, AICPA

Analysed and Reported by:

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**INVOLVED STAFF BIOGRAPHY**

**Victor C.W. Siu, CFA, AICPA**

*Director*

Mr. Siu is the Head of Business Valuation and Transaction Advisory at Greater China Appraisal Limited. He has over 12 years of experience in the finance sector with a focus on the investment banking field. Prior to joining Greater China, Mr. Siu was a founding member as well as the CEO of Yemaigu Internet Financial Services Company (也買股互聯網金融服務公司), a fast-growing P2P investment platform in Shenzhen. Mr. Siu was also a director at UBS AG and Daiwa Capital Markets investment banking department, responsible for originating and executing numerous capital market transactions and fundraising projects, including IPOs, M&As, convertible bonds issuance, etc., with an understanding and knowledge of technology, resources and renewable energy sectors in the Asia region. Mr. Siu obtained a bachelor's degree in business administration from the University of Toronto. He is also a CFA (Chartered Financial Analyst) holder and a certified AICPA.

**Jack K.W. Leung, CFA, CVA, FRM**

*Director*

Mr. Leung is a director of Greater China Appraisal Limited. He has more than 16 years of experience in investment and financial analyses, including 10 years of experience in corporate and financial instruments valuations. His scope of services includes corporate valuation, intangible asset valuation (such as trademarks, distribution networks, patents and customer relations) and financial product valuation. Mr. Leung has extensive experience and assessed projects covering Hong Kong, China, Southeast Asia, Japan and the United States and other countries and regions. Prior to joining Greater China, Mr. Leung worked for a multi-national professional appraisal agency for more than seven years where his last position was a director, responsible for the corporate and financial products valuation in Hong Kong and Mainland China and joint management of several valuation projects in Singapore, Malaysia and other Southeast Asia countries. Mr. Leung is a charter holder of CFA (Chartered Financial Analyst), CVA (Chartered Valuer and Appraiser, Singapore) and FRM (Financial Risk Manager). He graduated from the University of Hong Kong with a Master of Philosophy majored finance.

**Faye C.Y. Chan, CPA (Aust.)**

*Senior Manager, Business Valuation & Transaction Advisory*

Ms. Chan has over 10 years of experience in the accounting and finance field. Her works have been performed for purposes of financial reporting, initial public offerings, mergers and acquisitions for private and listed companies. She also has experience in valuation of intangible asset including trademarks, patents, distribution networks and concession rights. Her valuation expertise covers various industries including financial services, infrastructure, telecommunication, forestry, manufacturing, pharmaceuticals, trading and information technology.

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**APPENDIX I VALUATION REPORT OF THE TARGET COMPANY GROUP**

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**Kelvin K.C. Shiu, BSc**

*Analyst, Business Valuation & Transaction Advisory*

Mr. Shiu has experience in corporate valuation and financial instrument valuation. His works have been performed for purposes of financial reporting, mergers and acquisitions for private and public companies. His valuation expertise covers various industries including financial services, property development, earthworks, foresting and trading. He has experience in valuation of financial instruments including employee share options, convertible bonds and preferred shares.

**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****(i) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations**

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

**(ii) Interests of substantial Shareholders*****Long position in Shares***

<b>Name</b>	<b>Capacity/ nature of interests</b>	<b>Number of Shares</b>	<b>Approximate percentage of the issued share capital of the Company</b>
Zhuhai Huafa (Note 1)	Interest in controlled corporations	3,710,750,000	36.88%
Ho Chi Sing (Note 2)	Interest in controlled corporations	860,920,000	8.56%
IDG Light Solutions Limited (Note 2)	Beneficial owner	860,920,000	8.56%

*Notes:*

1. Zhuhai Huafa holds 100% of the issued share capital of HK Huafa, which in turn holds 100% of the issued share capital of Huajin Investment. Since Huajin Investment holds 3,710,750,000 Shares, Zhuhai Huafa is deemed to be interested in 3,710,750,000 Shares by virtue of its shareholding in Huajin Investment.
2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 860,920,000 Shares. Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 860,920,000 Shares by virtue of his shareholding in IDG Light Solutions Limited.

So far as is known to the Directors and chief executive of the Company, save as disclosed above, as at the Latest Practicable Date, no other persons (other than the substantial Shareholders disclosed above) had any interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of the Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

**3. DIRECTORS' INTERESTS****(i) Interests in competing business**

As at the Latest Practicable Date, none of the Directors nor their respective close associates (as defined in the Listing Rules) had any interests in any business, which competes, or were likely to compete, either directly or indirectly, with the business of the Group.

**(ii) Interests in contract or arrangement**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by an member of the Group, which was significant in relation to the business of the Group.

**(iii) Interests in assets**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**4. SERVICE CONTRACTS**

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

**5. 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 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**6. EXPERTS AND CONSENTS**

The following is the qualifications of the experts who have given opinion or advice which are contained or referred to in this circular:

Greater China Appraisal Limited	independent valuer
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Somerley Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
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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 letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

In addition, each of the above experts did not have any interest, either directly or indirectly, in any assets which had been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**7. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on Monday to Friday, except for public holidays, at the head office and principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of SGM:

- (i) the Sale and Purchase Agreement;
- (ii) the letter from Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 19 to 20 of this circular;
- (iii) the letter from Somerley Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 32 of this circular;
- (iv) the valuation report of the Target Company Group issued by Greater China Appraisal Limited as set out in Appendix I to this circular;
- (v) the written consents referred in the section headed “Experts and Consents” of this appendix; and
- (vi) this circular.

**8. GENERAL**

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Unit 3605, 36/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong.
- (ii) The Company’s branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iii) In the event of any inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text of the same.

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## APPENDIX III      BIOGRAPHIES OF DIRECTORS TO BE RE-ELECTED AT THE SGM

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*The following are biographical details of the Directors who will offer themselves for re-election at the SGM:*

**(1) Mr. Pu Yonghao (“Mr. Pu”)**

Mr. Pu, aged 62, has over 20 years of experience in holding senior positions in investment banks. From 2015 to 2018, Mr. Pu was the founder and chief investment officer of Fountainhead Partners Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities for the purpose of SFO. From 2004 to 2015, Mr. Pu held various positions at UBS AG, including the chief investment officer, the head of the Wealth Management Research APAC and his last position held at the company was managing director in Wealth Management and Retail & Corporate Division. Prior to joining UBS AG, Mr. Pu worked at Asian Development Bank as senior consultant from 2002 to 2003, Nomura International (Hong Kong) Limited as senior economist from 2000 to 2002 and Bank of China International (UK) Limited as senior economist from 1997 to 2000. Mr. Pu is the vice chairman of Chinese Financial Association of Hong Kong and the honorary institute fellow of The Chinese University of Hong Kong, The Asia-Pacific Institute of Business.

Mr. Pu obtained a bachelor degree in accounting from Xiamen University in 1982 and a master degree in economics from the same university in 1985. He also obtained a master of science degree in demography from The London School of Economics and Political Science in 1989.

Mr. Pu has entered into a letter of appointment with the Company for an initial term of three years commencing on 1 June 2020. His appointment is subject to termination at any time by either party giving to the other two months’ notice in writing and retirement by rotation in accordance with the bye-laws of the Company. Pursuant to the terms of the letter of appointment, Mr. Pu is entitled to a Director’s fee of HK\$100,000 per year which is determined with reference to his duties and responsibilities within the Company and its subsidiaries.

Save as disclosed above, Mr. Pu does not (1) have any relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; (2) have any interests in shares and underlying shares of the Company and any associated corporation of the Company (within the meaning of Part XV of the SFO); (3) hold any directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; or (4) have any other information that needs to be disclosed pursuant to any of the requirements as set out in Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

**(2) Mr. Guo Shihai (“Mr. Guo”)**

Mr. Guo, aged 42, is the chief executive of CMBC Investment (HK) Limited, a direct wholly-owned subsidiary of CMBC Capital Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1141) since January 2020, where he also acts as a permanent member of the investment and financing approval committee of CMBC Capital Holdings Limited. From 2015 to 2020, Mr. Guo was the managing director, head of principal investment management of BOCOM International Holdings Company Limited, where he was responsible for private equity investments, structured financing and bond investment business etc.. From 2012 to 2015, Mr. Guo was the executive director and vice president, head of product execution of cross-border and structured finance business of ICBC International Holdings Limited. From 2007 to 2012, Mr. Guo was the senior relationship manager of corporate finance, corporate banking and financial institutions of Bank of China (Hong Kong) Limited. From 2001 to 2007, Mr. Guo was an assistant manager and subsequently a manager of Bank of China Limited responsible for international settlement business. Mr. Guo was awarded Master of Science in Global Finance jointly by New York University’s Stern School of Business and School of Business and Management of The Hong Kong University of Science and Technology.

Mr. Guo is a representative of each of (i) CMBC Securities Company Limited, a corporation licensed by the SFC, to carry out type 1 (dealing in securities) regulated activity, and (ii) CMBC Asset Management Company Limited, a corporation licensed by the SFC, to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities.

Mr. Guo has entered into a letter of appointment with the Company for an initial term of three years commencing on 21 July 2020. His appointment is subject to termination at any time by either party giving to the other two months’ notice in writing and retirement by rotation in accordance with the bye-laws of the Company. Pursuant to the terms of the letter of appointment, Mr. Guo is entitled to a Director’s fee of HK\$100,000 per year which is determined with reference to his duties and responsibilities within the Group.

Save as disclosed above, Mr. Guo does not (1) have any relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; (2) have any interests in shares and underlying shares of the Company and any associated corporation of the Company (within the meaning of Part XV of the SFO); (3) hold any directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; or (4) have any other information that needs to be disclosed pursuant to any of the requirements as set out in Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.



**(3) Ms. Zhou Youfen (“Ms. Zhou”)**

Ms. Zhou, aged 49, is a director and the chief financial officer of Zhuhai Huafa, a controlling shareholder of the Company, since July 2015 and August 2020, respectively, and the chairman of the board of supervisors of Zhuhai Huajin Capital Co., Ltd. (珠海華金資本股份有限公司), a company listed on the Shenzhen Stock Exchange and its stock code is 000532, since May 2014. From 2006 to 2020, Ms. Zhou was delegated by the Zhuhai State-owned Assets Supervision and Administration Commission from time to time to hold positions as a director, supervisor, chief financial officer and/or chairman of the board of supervisors in various subordinate corporations, such as Zhuhai Port Co., Ltd. (珠海港股份有限公司), a company listed on the Shenzhen Stock Exchange with stock code 000507, Zhuhai Huichang Traffic Investment Co., Ltd. (珠海匯暢交通投資有限公司) and Zhuhai Water Group Co., Ltd. (珠海水務集團有限公司). Ms. Zhou obtained her qualification certificate as a senior accountant issued by Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) in May 2013 and obtained her qualification certificate with specialty in industrial economy from the Human Resources Department of the People’s Republic of China (中華人民共和國人事部) in November 1997. Ms. Zhou obtained a bachelor’s degree in Foreign Trade from Beihang University in 1991 and a master’s degree in Business Administration from Sun Yat-sen University in 2010.

Ms. Zhou has entered into a letter of appointment with the Company for an initial term of three years commencing on 28 September 2020. Her appointment is subject to termination at any time by either party giving to the other three months’ notice in writing and retirement by rotation in accordance with the bye-laws of the Company. Ms. Zhou will not receive any remuneration from the Company.

Save as disclosed above, Ms. Zhou does not (1) have any relationships with any Directors, senior management or substantial or controlling shareholders (as defined in the Listing Rules) of the Company; (2) have any interests in shares and underlying shares of the Company and any associated corporation of the Company (within the meaning of Part XV of the SFO); (3) hold any directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; or (4) have any other information that needs to be disclosed pursuant to any of the requirements as set out in Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

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## NOTICE OF SGM

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**HJ Capital (International) Holdings Company Limited**  
**華金國際資本控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 982)**

### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**SGM**”) of HJ Capital (International) Holdings Company Limited (the “**Company**”) will be held at 3:00 p.m. on Monday, 30 November 2020 at Unit 3605, 36/F, Cheung Kong Center, 2 Queen’s Road Central, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

- (1) “**THAT:**
- (a) the entering into of the Sale and Purchase Agreement (as defined in the circular of the Company dated 16 October 2020), a copy of which has been produced to the SGM and marked “A” and initialled by the chairman of the SGM for identification purpose, and the transactions contemplated thereunder and the implementation thereof be and are hereby confirmed, approved, authorised and ratified; and
  - (b) any one director or duly authorised signatory of the Company or any two directors or duly authorised signatories of the Company, if the affixing of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to execute (and, if necessary, affix the common seal of the Company to) any such documents, instruments and agreements and to do any such acts or things as may be deemed by him/her/them in his/her/their absolute discretion to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement, and the implementation thereof.”

\* For identification purpose only

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## NOTICE OF SGM

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- (2) “**THAT** Mr. Pu Yonghao be re-elected as an independent non-executive director of the Company.”
- (3) “**THAT** Mr. Guo Shihai be re-elected as an independent non-executive director of the Company.”
- (4) “**THAT** Ms. Zhou Youfen be re-elected as a non-executive director of the Company.”

By order of the Board  
**HJ Capital (International) Holdings Company Limited**  
**Li Guangning**  
*Executive Director and Chairman*

Hong Kong, 16 October 2020

*Notes:*

### **1. Eligibility for Attending the SGM**

In order to be eligible to attend and vote at the SGM, unregistered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 November 2020.

### **2. Proxy**

- (1) Shareholders entitled to attend and vote at the SGM may appoint a proxy, or if a Shareholder who is the holder of two or more Shares may appoint more than one proxy to attend and vote instead of him. A proxy need not be a Shareholder. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
- (2) A proxy shall be appointed by a Shareholder by a written instrument signed by the appointor or his attorney duly authorised in writing. In case of a corporation, the same must be either under its common seal or under hand of its director(s) or duly authorised attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorisation of such attorney shall be notarised.
- (3) To be valid, the notarised power of attorney or other document(s) of authorisation (if any) and the form of proxy shall be delivered to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

### **3. Registration Procedures for Attending the SGM**

A Shareholder or his proxy shall produce his identification document when attending the SGM. Where a Shareholder is a legal person, the legal representative of that Shareholder or that person authorised by its board of directors or other governing body shall produce a copy of the resolutions of the board of directors or other governing body of such Shareholder appointing such person to attend the SGM.

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## NOTICE OF SGM

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#### 4. Method of Voting at the SGM

The resolution at the SGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.

#### 5. Miscellaneous

- (1) The SGM is expected to be held at Unit 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong at 3:00 p.m. on Monday, 30 November 2020. Shareholders attending the SGM shall be responsible for their own travelling and accommodation expenses.
- (2) The address of Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (3) The registered office, principal place of business in Hong Kong and the contact details of the Company are:

Registered office: Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

Principal place of business in Hong Kong: Room 3605, 36/F, Cheung Kong Center  
2 Queen's Road Central, Central  
Hong Kong

Contact details: Telephone: (+852) 3465 5300  
Fax: (+852) 3465 5333

If tropical cyclone warning signal no. 8 or above is hoisted or a black rainstorm warning signal is in force at 7:00 a.m. on 30 November 2020, the meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.

*As at the date of this notice, the Board of the Company comprises Mr. Li Guangning (Executive Director and Chairman), Mr. Xie Wei (Executive Director and Chief Executive Officer), Ms. Guo Jin and Mr. Tze Kan Fat (all being Executive Directors); Ms. Zhou Youfen and Mr. Shong Hugo (all being Non-Executive Directors); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-Executive Directors).*